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NEWS SUMMARY

GENERAL Funding for new Europe missile

The U.S. may deploy in Western Europe nuclear missiles capable of striking deep inside the Soviet Union.

Race halted The Argentine Grand Prix was stopped 30 seconds after the start when the McLaren of Irishman John Watson lost a tyre.

'Spies' held West German security authorities carried out one of their largest counter-espionage operations in recent years.

Freighter probe As the first Vietnamese refugees came ashore in Hong Kong from the freighter Huey Fong, the captain and crew were being questioned by police.

Murder charge A teenage boy was charged with murder at Corringham, Essex, after a fire in which two of his brothers and two foster children died.

Sithole optimism The Rev. Ndabangzi Sithole, a member of Rhodesia's ruling executive, predicted that the war would subside after the men and women's elections scheduled for April.

Security march Nearly 3,000 people marched to the Texaco depot on Canvey Island, Essex, demanding increased security following the IRA bomb which damaged a storage tank last week.

Now it's fog! Thick fog replaced snow and ice as Britain's main weather hazard, with numerous flights cancelled at London Heathrow airport.

Briefly... Girl aged three who went missing on Saturday was found dead in Derby.

Winner of the \$75,000 Premium Bond prize lives in Surrey. No. 572 451300.

BUSINESS Kuwait may sell more oil

KUWAIT, which has for some time refused to sell any extra crude oil to compensate for the shortages caused by the Iran crisis, is considering special short-term contracts with Shell, BP and Gulf.

CONSTRUCTION cost of Sullom Voe oil terminal will rise to more than £1bn if BP's plans for additional tanks, pumps and a fifth jetty are given the go-ahead.

PEMEX, the Mexican state-owned oil company is to meet today representatives of 55 European companies, including 23 from Britain to discuss the importation of oil and gas equipment for exploration and production.

CONSUMER CONFIDENCE has been sharply affected by the latest price rises, according to the latest Financial Times survey today.

MOST EMPLOYEES now signing pay deals are getting more than the Government's basic 5 per cent pay limit, according to figures released today by the CBI.

GOVERNMENT'S public spending plans are being examined by an all-party committee of MPs which hopes to enlist the help of a wide range of academic and City economists.

MORE FINANCE is likely to be available for industry this year, according to City stockbrokers Wood Mackenzie, who forecast that 1979 should see the opportunity for funding more industrial investment.

THIRD attempt to negotiate a new International Wheat Agreement, to control world wheat prices, begins in Geneva today.

BARTER deals with Eastern Europe by multinational chemical companies could put at risk the jobs of thousands of workers in the West.

TEN EUROPEAN petrochemical plants may be forced to close over the last few months because of a series of accidents, technical faults and industrial disputes.

AN £84m acceptance credit is being put together by a group of City banks as part of a new scheme to finance the vehicle stocks of BL dealers.

Government plans public sector pay norm of 7-8%

BY PHILIP RAWSTORNE

The Government intends to make a determined stand against the public service workers' campaign of industrial action, which begins today, in an attempt to save its anti-inflation policy from complete destruction.

Ministers, admitting that the 5 per cent pay battle has been lost, are now prepared for a tough rearguard action to hold the public sector pay line at about 7-8 per cent.

Mr. Peter Shore, Environment Secretary and Minister responsible for the 1.5m public service workers, said yesterday: "It would be a total folly for the Government to give up in these parts of the public sector knowing that this might be the signal to others—like the miners—with far greater power."

The 7 per cent offered by the Government would have to be the basis of settlements in the public services, he declared.

Mr. Shore's stand was strongly reinforced yesterday by other Cabinet Ministers.

Mr. Michael Foot, Leader of the Commons, said that the Government was resolved to continue its fight against inflation and would not be panicked.

The country had seen the disastrous effects of a wages free-for-all. The most sensible approach would still be through agreement and co-operation with the unions.

Another senior Minister said the Cabinet was united in its determination to hold the line as close as possible to its original 5 per cent "whatever the traumas, damage and danger."

UNPUBLISHED EEC statistics suggest that abolition of the green currency system, demanded by France during the negotiations for a monetary system, would have a far more dramatic effect on farm incomes than on member countries' balance of payments.

IN THE UK, food costs for the consumer would rise by about £1bn, but only £300m of that would represent the higher cost of food imports, now subsidised.

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NUR may seek same pay rise as miners

By Christian Tyler, Labour Editor

A DEMAND for a formal pay inquiry, to give railwaymen rises comparable to those won by miners and power pay inquiry, to give railwayworkers this year, is being considered by the National Union of Railwaymen.

This emerged as a last-minute attempt by British Rail to avert tomorrow's one-day strike by train drivers appeared to have failed.

Mr. Ray Buckton, general secretary of the Associated Society of Locomotive Engineers and Firemen, said:

Lorry strike effects Page 4. Denning book Page 5. Justicialista Page 10. Editorial Comment Page 12. CBI pay study and news of lorry drivers and public service workers' disputes Back Page.

the Board's invitation for all-union talks today seemed to be another attempt to subvert the 10 per cent bonus claim in the general 1978 wage bargaining.

He described the position as "very serious" ASLEF executive would today be considering further industrial action to follow tomorrow's strike.

Mr. Sid Weighell, general secretary of the National Union of Railwaymen, said he could accept the board's invitation only if the talks were about the general wage claim and not ASLEF's separate demand for an immediate 10 per cent productivity bonus.

When the general negotiations start, Mr. Weighell plans to put up the comparability argument because the Prime Minister had offered public service workers a formal link with outside industries.

He said a formula of the kind produced by the Gullerham inquiry for railwaymen, but superadded more than 10 years ago, would have to be "put back on the agenda."

In response to its claim for a "substantial" increase the NUR expects an offer of at least 8 per cent to flow from the amended pay guidelines and consolidation into basic pay of the existing railmen's bonus scheme.

The NUR will carefully watch the miners' negotiations, which open on Thursday, and the parallel bargaining in electricity supply yet to get under way.

Carter will present tight budget today

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

PRESIDENT CARTER will today present to Congress a "lean and tight" budget for the fiscal year beginning in October designed to demonstrate his commitment to fighting inflation.

The President disclosed at his Press conference last week that the budget deficit had been reduced to about \$29bn, or about \$1bn under the estimated shortfall for the current fiscal year.

Overall Government spending, Administration officials have said in recent weeks, will rise to just over \$530bn, an increase in nominal terms of over 7 per cent compared with the current year. However, the impact of inflation is such that the spending in real terms will be negligible.

Given the fact that Mr. Carter has said that he is determined to fulfil his pledge to the NATO alliance and increase defence expenditure in real terms by 3 per cent, the budgetary axe has descended most sharply on domestic social programmes.

With defence accounting for nearly one-quarter of all U.S. Government spending, the extent of the social cuts has already prompted a fair amount of criticism. But the President maintained at his Press conference that the needs of the disadvantaged had been met and that additional funding had been found for the poor and for job creation.

Weak dollar A reduction in growth, if associated with greater expansion among the major trading partners of the U.S., should bring about an appreciable reduction in the external U.S. payments deficit.

The Administration is also assuming an inflation rate of approximately 7.5 per cent for the present year, about one percentage point below that recorded last year.

A year ago, it severely underestimated the rise in the cost of living, but it now has more policies at work combating inflation including an austere budget.

Considerable attention is likely to be focused on the details of the defence budget. It is expected that it will include substantial additional funding for major strategic weapons programmes, such as the MX mobile missile system, and for strengthening the U.S. capacity to reinforce speedily its troop strength in Europe.

Such measures are clearly designed to convince the Soviet Union that it cannot hope to gain military superiority over the U.S.

It is also anticipated that, as previously reported, the budget will all but eliminate funding for U.S. development with the aid of the improved version of the Hawker Harrier jump-jet. News of the impending U.S. decision has already created a furore in the British Parliament on the grounds that some £1bn worth of contracts will be lost to the British aerospace industry.

EEC counts the cost of ending green currency

BY MARGARET VAN HATTEM

UNPUBLISHED EEC statistics suggest that abolition of the green currency system, demanded by France during the negotiations for a monetary system, would have a far more dramatic effect on farm incomes than on member countries' balance of payments.

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Khomeini's plans for return arouse fear of new clashes

BY ANDREW WHITLEY IN TEHRAN

THE PLAN of the Ayatollah Ruhollah Khomeini, the Iranian religious leader, to return home next Friday after 14 years in exile has aroused fears that still further divisions may be provoked in the country.

A leading Opposition politician close to the 78-year-old Ayatollah admitted that he was "astonished" that Khomeini was returning so soon, before the delicate negotiations between Khomeini's emissaries and Army generals had reached any conclusion.

On hearing the news at the weekend, Mr. Shahpour Bakhtiar, the Prime Minister, restated his determination to stay in office on the grounds that he was the country's legitimate authority.

In any but highly abnormal circumstances, Shi'a Moslem leaders do not criticise each other, preferring a common platform.

But in response to Khomeini's derogatory description of the most senior religious leader in Iran, Ayatollah Kazem Shariat-Madhari, at Qom, as "a moderate in the American sense of the word," he retorted yesterday that if this were so, then Khomeini was "an extremist in the same sense."

In Tehran about 10,000 Left-wing demonstrators, students and workers, ran through the streets tearing down pictures of

the Opposition leader and clashing with religious students.

Groups from the banned pro-Moscow Tudeh Party were among the crowd that gathered at the Technical University.

Clashes were reported in a number of small towns at the weekend, leaving at least three dead. Gangs of pro-Shah men with sticks were said to have been responsible.

Of greater concern to the authorities must be the number of reports in the Press of dissension at Air Force bases.

Saturday's Kayhan and Etemad said there had been trouble at Bandar Abbas on the Gulf, in Hamadan, Isfahan and other cities.

An earlier report of tension at the Shahroki air base in the South last week was said to have been confirmed by military officials.

One reason given here for early return of the Ayatollah is that his associates feared that the longer he stayed away the greater the divisions in the Opposition would become.

Members of an Islamic revolutionary council to run the country while a provisional Government is being set up are expected to be named in a day or so.

Among them are likely to be two Tehran religious leaders close to Khomeini, and Mr. Mehdi Bazargan head of a small radical party.

It is likely to dominate an informal meeting of EEC farm ministers attending the green week, a big annual farm and food fair, in Berlin later this week when Mr. Finn Olav Gundelach, EEC farm commissioner, is expected to make an important statement on the issue.

That is much to ask. The struggle to reconcile France, Britain and West Germany to open the way for introduction of the European monetary system and for negotiation of this year's farm price review does not appear to be near resolution.

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OVERSEAS NEWS

Carter earmarks budget funds for middle-range European missile

BY DAVID BUCHAN IN WASHINGTON

THE U.S. may deploy in Western Europe nuclear missiles capable of hitting targets deep inside the Soviet Union by the mid-1980s. This would be a major departure as none of the American missiles presently in Europe have a range of more than 450 miles.

missile is seen as a response to the Russian SS-20 missile (which carries three warheads and is targeted on Western Europe), and the threat posed by the super-sonic Soviet Backfire Bomber. Neither the SS-20 nor the Backfire Bomber, provided it is not deployed on inter-continental strike missions against the U.S. itself, would be restricted under the proposed Salt 2 treaty.

The new budget keeps open President Carter's option to order deployment of the neutron high radiation bomb at some later date, however. Funds are provided for the continued production of the Lance missile and the 155 mm Howitzer—the two likeliest weapons on which the neutron bomb warhead might be fitted.

The U.S. budget also provides \$144m for the development of a longer range Pershing 2 missile to be based in Europe. At present, American nuclear missiles in Europe—the Pershing 1, the Lance, and Honest John—have ranges of less than 450 miles.

Rhodesia war 'will ebb after elections'

THE REV. Ndabingi Sithole, one of the leaders of Rhodesia's transitional Government, forecast yesterday that the war in Rhodesia would subside after one-man, one-vote elections were held on April 20, AP reports from Salisbury.

He made the forecast despite the pledge of the Patriotic Front guerrilla alliance to smash the April poll.

Mr. Sithole said the new nation of Zimbabwe (Rhodesia) stood a good chance of winning international recognition. He said he had received favourable indications from Western European and African countries which he did not name.

Once we have a majority rule Government there can be no doubt there will be a considerable de-escalation of the war," he said in a television interview with a panel of Rhodesian and foreign journalists.

"We have thousands of guerrillas who are sick and tired of the war—they would like to come home," he said.

Somali President Mohamed Siad Barre has opened the way for future co-operation between his country and the Soviet Union despite their split over Moscow's support for Ethiopia during the Ogaden war 14 months ago, Reuter reports from Mogadishu.

Desai China pledge Indian Prime Minister Morarji Desai reassured the Soviet Union yesterday that any warning of India's policy towards China would not be at the expense of a third country, AP reports from New Delhi.

Uganda border charge Uganda has said three towns near its border with Tanzania have been captured by invading forces and accused Tanzania of "intolerable provocation," Reuter reports from Nairobi.

Angola-China talks Angola has announced it has accepted a request from China for a meeting to discuss the establishment of diplomatic relations, the official news agency Angop said.

Lagos Caribbean loan Nigeria has become the first African country to offer a loan to the Commonwealth Caribbean, Tony Crozier writes from Bridgetown.

Orenburg pipe finished The 1,700 mile "Soyuz" gas pipeline linking rich Orenburg gas deposits with Eastern Europe has been completed after four years of work by the Soviet Union and East European members of Comecon.

Spy sweep after Berlin defection

BY ADRIAN DICKS IN BONN

WEST GERMANY'S security authorities carried out one of their largest counter-espionage operations of recent years over the weekend, when information from an East German defector led to the arrests of at least five people connected with a nuclear research establishment at Karlsruhe.

The effects of the round-up in West German public opinion were, however, marred when Herr Kurt Rebmann, the Attorney-General, admitted that one of the five had later escaped from a police car on his way to a remand prison.

The authorities issued an appeal for public help in finding the man, named as Rainer Paul Fuelle. He was said to have been employed as an accountant at the Karlsruhe plant of a company set up to prepare for commercial recycling of nuclear fuel elements.

said yesterday that Herr Fuelle had no direct access either to secret material or security procedures.

The defector who has not been named fled to West Berlin last Friday night from the East German Ministry of State Security. He was accompanied by his wife and child and was still under interrogation last night. It is understood that he brought a large quantity of documents with him.

It was not clear last night who the other four arrested suspects were, or whether they were all employees of the recycling company.

spectacular case of all in April 1974—that of Herr Guenther Guillaume, an official in the Bonn Chancellery of Herr Willy Brandt, who resigned as a result.

Herr Guillaume, who is serving a long jail sentence, underwent surgery last week for a kidney complaint.

More than 100 East German agents have been arrested in various branches of West German public life since the most

Atherton hears Israeli decisions

BY L. DANIEL IN JERUSALEM

MR. MENACHEEM BEGIN, the Israeli Prime Minister, met with Mr. Alfred Atherton, the U.S. special envoy, yesterday to inform him of decisions reached at a five-hour meeting of the Israeli Cabinet.

The nature of the decisions was not immediately disclosed. Mr. Atherton had been expected to leave for Cairo today but it was announced last night that he would remain in Israel for at least another 36 hours for further talks.

The Cabinet session yesterday followed a dramatic midnight meeting between the U.S. and Israeli negotiating team during which Mr. Atherton conveyed the contents of an American letter he had received in reaction to his report on his talks earlier in the week with Mr. Begin and the Israeli negotiating team. The midnight talks lasted until 2 am.

Speculation here is that the American letter proposed making paragraph six of the peace treaty more acceptable to Israel. This is the paragraph dealing with the question of Egypt's previous undertakings overriding the new treaty.

Roger Matthews adds from Cairo, Egypt will not budge a millimetre from the basic conditions it has laid down for signing a peace treaty with Israel. This was stated by Mr. Hosny Mubarak, the Egyptian Vice-President, and amplified by President Sadat who said in Khartoum that there was no question of Egypt signing a separate treaty with Israel.

UN plan for Lebanon stability WITH THE situation in southern Lebanon again explosive following a new Israeli strike against Palestinian guerrilla bases and Lebanese leftist forces, the UN and the Lebanese Government will shortly try to agree on a programme to promote Beirut's authority over the troubled region.

the use of UN troops, refused to participate in the vote. A key paragraph of the resolution deplored Israel's lack of co-operation with UNIFIL and its support for the Lebanese Christian Militia, which controls a six-mile zone along the Israeli border.

the end of Brigadier Yarad's talks in Brasilia, stating "the two parties note the successful conclusion of meaningful talks and express their conviction that this will result in significant advantages for both parties," did not do justice to the facts.

Pol Pot forces in fierce clashes with invaders BANGKOK — Fierce clashes were reported to have taken place in Cambodia yesterday between pro-Vietnamese forces and troops loyal to the Pol Pot regime.

India gets £145m aid from Britain By K. K. Sharma FRESH British grants to India totalling £145m are to be announced this week when Sir Peter Preston, Permanent Secretary of the Ministry of Overseas Development, arrives here for talks.

negotiations are not promising with the situation in Iran providing an additional complication. Some Egyptian officials believe that the Iranian crisis may further delay progress towards a peace treaty.

Reuter writes from Damascus: Palestinian leaders have drawn up detailed plans for political and military action to resist Egyptian-Israeli peace moves, a spokesman for the Palestine Liberation Organisation said.

Although the British Government is keen to retain New Zealand dairy supplies, all the other Community countries want to see the trade phased out rapidly. The British dairy industry is also anxious that New Zealand imports should be stopped.

London talks on NZ dairy imports By Christopher Parkes MR. BRIAN TALBOYS, New Zealand's Deputy Prime Minister, is visiting London this week to negotiate future access to the British market for butter and cheese.

entry or passage of the Lebanese army. Mr. Blum warned the Council that Israel "will continue its policy of taking necessary action against PLO bases used for the training of terrorists and for launching criminal activities against Israel."

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WORLD TRADE NEWS

Spending on world rail systems may top £12bn

By Ian Hargreaves, Transport Correspondent

CAPITAL expenditure on railways outside the U.S. and the Communist world is expected to rise by 18 per cent to over £12bn this year, according to the latest investment poll by the International Railway Journal.

The biggest spenders outside North America in 1979 will be the railway administrations of South Africa, with plans to invest £786m, France with £800m and Brazil with £552m.

British Rail comes well down the list, with its investment level frozen at £312m again this year, compared with the £450m to be spent on the slightly smaller Italian network.

Outside the U.S. railways plan to buy 1,200 locomotives and 35,000 wagons, compared with 85,000 wagons and over 2,400 locomotives inside the U.S.

London talks on NZ dairy imports By Christopher Parkes MR. BRIAN TALBOYS, New Zealand's Deputy Prime Minister, is visiting London this week to negotiate future access to the British market for butter and cheese.

Brazil and Nigeria Developing giants forge new links BY DIANA SMITH IN RIO DE JANEIRO

Brazil and Nigeria, the rapidly growing giants of their respective continents, have much to offer each other in terms of trade and the recent visit here by Nigeria's Vice-President, Brigadier Shehu Shagari, has resulted in a new commitment on both sides.

Links between the two countries started in the 19th century with the return to Africa large number of Afro-Brazilian liberated slaves, whose descendants bear Brazilian surnames. After long neglect the connection has been revived.

Until now Brazil's oil imports from Nigeria, the world's eighth largest oil producer, have been modest. In 1978, only 20,000 b/d of average daily imports of over 800,000 b/d came from Nigeria.

Saudi financial scrutiny hits foreign contractors

BY JAMES BUCHAN IN JEDDAH

THE OPERATION of strict financial measures covering projects in Saudi Arabia, which has already caused considerable problems for overseas contractors, have received additional support from Crown Prince Faisal.

In a statement to the Council of Ministers, the Crown Prince said that while the Government was anxious to see projects under the current five-year development plan carried out quickly "it is our duty to see that costs are realistic."

The stringency measures, introduced in the June 1978 budget to reduce Ministry waste and cope with a revenue shortfall, include a stipulation that no commitment on new projects with a total value of over 100m Saudi riyals (£15m)—and very few are less—can be made without the prior approval of the Crown Prince's office.

According to local bankers, whose business has expanded to include a large volume of short-term financing for unpaid contractors, the SR 100m rule has been a major factor in the slowdown in the award of new contracts.

BL to boost EEC sales of Range and Land-Rovers THE LAND-ROVER subsidiary of BL expects to raise substantially European sales of Land-Rovers and Range Rovers as the first stage of its production expansion programme comes on stream.

World Economic Indicators table with columns for Industrial Production, % change over previous year, and Index base 1967=100. Rows include U.S., France, Italy, West Germany, Japan, UK, Holland, and Belgium.

announced in June was brought down from an original figure of SR 145m to SR 130m, because it was thought that the original deficit was too large, with revenue estimated at SR 115m on oil output of 8m b/d. The lower figure is also widely considered approximately equal to the total actual spending in 1977-78 against a projected SR 111m.

At the same time the Finance Ministry instructed other Ministers not to spend more than 70 per cent of their original allocation without referring back. Bankers report that the 70 per cent is a restriction, not a ceiling, designed to hold spending down to near the national 1977-78 level.

Together with the SR 100m rule, it is aimed at keeping a tight rein on Ministers, particularly such heavy spenders as Communications and Agriculture. Bankers further report moves about to introduce a monthly budgetary system for the Ministers, although the Finance Ministry would not confirm this.

These provisions do not take account of new ships which will be built in the period analysed, but Mr. Bayley suggests that the ordering of new tankers will be cautious and confined to the smaller size ranges, where shortages are expected.

Ship aid for W. Germany introduced By Adrian Dicks in Bonn THE WEST GERMAN government's new series of measures to help the hard-hit shipbuilding and shipping industries has now been set in place, and has been welcomed by spokesmen for the two sectors.

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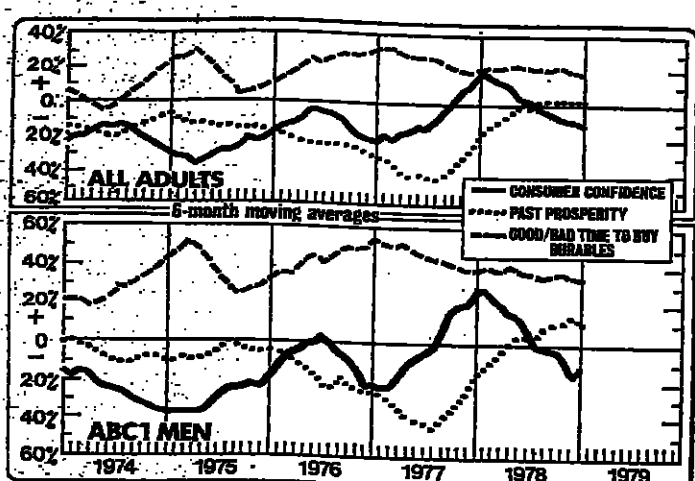
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FT SURVEY OF CONSUMER CONFIDENCE

Industrial unrest raises pessimism level to 41%

BY DAVID CHERRILL, CONSUMER AFFAIRS CORRESPONDENT

CONSUMER CONFIDENCE has been sharply dented by the wave of industrial unrest...



The index of 'future confidence' has fallen to 27 per cent - the lowest level since late 1976...

By a considerable margin the group least likely to buy at present is the depressed consumer confidence for the future...

The reason for pessimism most often stated by consumers was the effect of trade union power and strike action...

The survey also revealed a slight increase in concern over unemployment. The index rose by 2 per cent to 21 per cent...

Among the relatively small group of consumers who remained optimistic for 1979, the reason most often given for this optimism was the general feeling that 'things must improve'...

The decline in confidence is reflected among all age and social classifications although the drop for ABC1 women was not as large as for the other groups...

According to age groups, however, the under-35s has not suffered such a large fall in future confidence as the over-35s...

The public-sector borrowing requirement is expected to rise from £8.2bn in the current financial year to £9bn in 1979-80.

Regionally, Scotland and the North East had the largest fall in consumer confidence - with a drop of 22 percentage points to 22 per cent...

UNLESS insurance companies exercised greater control over their agents they faced the prospect of a full Government licensing system of agents in the near future...

The January index also suggests that the bargain sales offered by most stores has had a limited appeal...

Mr. James Prior, Opposition spokesman for employment, will open the debate on the technological revolution and society...

Run of snags shuts petrochemical plants

BY SUE CAMERON, CHEMICALS CORRESPONDENT

ACCIDENTS, technical faults and industrial disputes have shut down 10 European petrochemical plants over the past few months.

Big groups say that the consequent product shortages should help them to raise prices. They say that the effect of the closures has been to tighten the market while all base chemical producers are suffering from serious overcapacity.

worsened by an industrial dispute over retraining. The Spanish Espetrol's ethylene cracker at Tarragona was halted last month because of an instrument fault.

Shell Nederland Chemie's ethylene cracker at Moerdijk, Holland, cut out and had to be taken out of commission briefly last month.

Chemical companies face Third World competition

BY SUE CAMERON, CHEMICALS CORRESPONDENT

CHEMICAL COMPANIES that believe their markets will never be closed to competition from the developing countries are living in a 'fool's paradise'...

producers tried to gain significant shares of traditional petrochemical markets on the basis of subsidised exports.

Mr. Michael Hyde, publisher of Chemical Insight, said that even if only half the petrochemical plants planned by developing countries were built, they would 'still adversely affect world markets'.

At the very least, the advent of new sources of production will force a continuing reappraisal of production and marketing strategies.

Earnings rise forecast for clearing banks

BY MICHAEL LAFFERTY

EARNINGS of the big London clearing banks will rise by at least 20 per cent in 1978 and 30 per cent in 1979...

Laing and Cruickshank forecasts slower growth in banking assets. Minimum rate of return required to make the clearing banks self-financing is put at 15 to 25 per cent lower than in the last five years.

The firm says in its annual review of clearing banks. 'The sector is moving out of a period when profits were insufficient to finance their capital requirements and when, despite over £400m of rights issues, capital ratios fell.'

Laing and Cruickshank calculates that the minimum return on assets needed to make the clearing banks self-financing and still able to increase dividends will be 20-30 per cent lower than in recent years.

According to age groups, however, the under-35s has not suffered such a large fall in future confidence as the over-35s...

It estimates that pension and life assurance funds will together have £8.6bn available for investment, compared with £7.4bn in 1978...

Credit delays costing thousands in exports

BY CHRISTOPHER PARKES

EXPORT ORDERS worth many thousands of pounds are being lost to British industry because of delays in the Government's Export Credits Guarantee Department...

that information was sometimes difficult to obtain from remote parts of the world, but the bulk of the 5,000 weekly applications were answered in two days.

Mr. Alan Blanch, chairman of Alva Blanch Development, told a British Agricultural Export Council seminar that his company had waited six weeks, sometimes longer, for a reply from the Department.

The seminar, which concentrated on finance services for small and medium-scale exporters, was organised as a result of a recent Government report that criticised the lack of assistance for smaller agricultural companies.

Financial Times plans two conferences

LEADING SPEAKERS from industry and Government will take part in a two-day conference called Tomorrow in World Electronics...

presented by Dr. Fritz-Rudolf Guentisch, of the Federal Ministry for Research and Technology, and Mr. Leslie Huchfield, Parliamentary Under-Secretary for Industry.

It will review important developments and assess their impact on industry, employment and the community. Mr. James Prior, Opposition spokesman for employment, will open the debate on the technological revolution and society.

The Financial Times, with the Trade Policy Research Group, is organising a two-day conference on Invisible Barriers to Trade on March 28 and 29 at the London Press Centre.

Five new exhibitions for Harrogate

By Anthony Moreton, Regional Affairs Editor

FIVE NEW exhibitions will be held in Harrogate this year, taking the number of exhibitions and conferences held in the town to a record level.

virtually none available this year. Even December, normally a very quiet month, has received bookings and one exhibitor has taken space until Christmas Eve.

This year's newcomers range from 'fashion fabrics' to 'mining, electrical and mechanical engineers'. The record total for conferences was set in 1974 when 459 were held.

AIRLINES and the aircraft industry have been asked to help the Royal Aeronautical Society in an appeal for cash to recoup the £300,000 it is paying for a new lease on 4 Hamilton Place, its Mayfair headquarters.

MPs seek expert opinion on public spending cuts

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

AN ALL-PARTY committee of MPs hopes to enlist the help of a wide range of academic and City economists in its examination of the Government's public spending plans.

papers are likely to be published. This is partly because the examination of the new White Paper may be rather lower key than last year since, on the face of it, the plans and presentation are less controversial.

The inquiry is being carried out by the general sub-committee of the Commons Expenditure Committee, chaired by Mr. Michael English, Labour MP for Nottingham West.

of it, the plans and presentation are less controversial. However, members of the sub-committee will, no doubt, be keen to press the Treasury on the inflation prospects.

It will involve a number of public hearings near the end of the month when senior Treasury officials - and possibly also Mr. Joel Barnett, the Chief Secretary to the Treasury - will be questioned about the economic background and detailed plans in the expenditure White Paper published last Wednesday.

Lending Rate of 12 1/2 per cent and the constraint of the corset on bank lending. In these circumstances, the public sector ought definitely to cut its demand for funds.

However, unlike last year the sub-committee is not publicly or formally requesting submissions from outsiders, while welcoming

the private sector, notably by Minimum

Proposed expenditure volume 'inappropriate'

BY OUR ECONOMICS CORRESPONDENT

THE PROPOSED volume of public expenditure is completely inappropriate in view of the private sector's likely need to borrow more, according to stockbrokers W. Greenwell and Co.

The brokers claim that 'the reduction in public spending (excluding financial transfers and debt interest) by 1.5 per cent in 1978-79 and by 4.6 per cent in 1977-78 was an important reason for the underlying improvement in the economy which began towards the end of 1977.'

In their latest monetary bulletin, published this morning, the brokers argue that private sector borrowing needs will rise because of lower profit margins, resulting from sterling's relative strength, the cost of high wage settlements, strikes and industrial disruption, and the planned extension of price controls.

However, 'the private sector is already being crowded out of financial markets by the public sector, notably by Minimum

CONTRACTS AND TENDERS

KOLAGHAT THERMAL POWER STATION EXTENSION PROJECT WEST BENGAL, INDIA. Pre-qualification of Suppliers for Turbine-Generator Plant. Description and capacity of manufacturing facilities. A Experience with manufacture and installation of similar type and size of unit.

PEOPLE'S REPUBLIC OF MOZAMBIQUE

TEA REHABILITATION PROJECT. The Government of the People's Republic of Mozambique will shortly embark on a project for the rehabilitation of 17 state-owned tea factories in the Zambezia Province.

ANNOUNCEMENT FOR ADDITIONAL EQUIPMENT PURCHASES FOR THE EXPANSION OF THE INTEGRATED STEEL PLANT AT ERGILI, TURKEY

Engül Demir ve Çelik Fab. T.A.S. at Ergili, Turkey, has already started an expansion project aimed at increasing its liquid steel capacity to 2 million metric tons by 1981. Following additional facilities are to be purchased and installed using World Bank financing and under international competitive bidding procedures:

CONTRACTS AND TENDERS

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OVERSEAS UNION BANK LIMITED (Incorporated in the Republic of Singapore) US\$15,000,000 Floating Rate Certificates of Deposit due 1981. In accordance with the provisions of the Certificates of Deposit, notice is hereby given that for the six-month period from 12th January, 1979 to 12th July, 1979 the Certificates will carry an Interest Rate of 12 3/8 per cent per annum.

UK NEWS

Banks set up £84m credit for BL dealers

AN ACCEPTANCE credit totaling £84m is being assembled by a group of City of London banks as part of the new scheme to finance the vehicle stocks of BL (British Leyland) dealers.

Value of building orders down £113m. in November

CONSTRUCTION ORDERS in November fell for the first time in four months, according to provisional figures published by the Department of the Environment.

Car makers study voluntary fuel curbs

A VOLUNTARY scheme to reduce petrol consumption by cars substantially is being hammered out by the Society of Motor Manufacturers and Traders.

Some manufacturers defy pickets to get supplies

SOME MANUFACTURERS have started to show they are prepared to defy picketing lorry drivers to pick up vital supplies.

Counting the cost for food and farms

FOOD AND farming industries have begun assessing the long-term impact on production and trade of the lorry drivers' strike.

Irish Foreign Minister meets Mason this week

MR. MICHAEL O'KENNEDY, the Irish Foreign Minister, is to visit London this week, probably on Wednesday, for a meeting with Mr. Roy Mason, the Secretary of State for Northern Ireland.

Wales

MANY MANUFACTURERS in Wales will be closing their plants at the end of the week even though picketing is easing in certain areas.

NORTH

A GROUP of lorry drivers will meet in Manchester today to try to organise a return to work on the basis of the Road Haulage Association's present 15 per cent offer.

MIDLANDS

HOPES OF averting further large-scale lay-offs in the Midlands this week depend on the response of lorry drivers to the union instruction to end secondary picketing.

LONDON & SOUTH

ALTHOUGH picketing in London and the southern areas was patchy over the weekend, many companies reported that supplies were not getting through.

ULSTER

THE 48-HOUR clampdown on the movement of essential goods by striking lorry drivers in Ulster appears to have had little effect.

Tax deposit interest rates rise

INTEREST RATES for certificates of tax deposit have been raised from 12 to 13 per cent.

Papers gain from Times closure

FLEET STREET "quality" newspapers, both daily and Sunday, have benefited from the closure of Times Newspapers over the past 50 days.

Pensions rise 'should have been bigger'

OLD-AGE pensioners are receiving less than they are entitled to, Mr. Hugh Faulkner, director of Help the Aged, says in a letter to Mr. David Ennals, Social Services Secretary.

United Biscuits to raise prices

THE PRICE Commission is to allow United Biscuits to put up prices for a range of biscuits, crisps, nuts, and savoury snacks by just under 4 per cent.

Security men continue strike

LIVERPOOL'S 90 security men who patrol parks and recreation grounds decided yesterday to continue striking over the suspension of three colleagues.

Mulley may discuss arms with Australian Minister

POSSIBLE Australian purchases of UK defence equipment and the changing strategic situation in South-East Asia are expected to be on the agenda this week when Mr. Jim Killen, Australian Defence Minister, visits Britain for talks with Mr. Fred Mulley, Secretary for Defence.

Peterborough port scheme costed at £45m

IT WOULD cost £45m to develop Peterborough as an inland port, according to a report from the British Waterways Board.

UK leases Japan DC-10

British Caledonian Airways signed a \$55m contract to lease a U.S. McDonnell Douglas DC-10 tri-jet for 10 years from Orient Leasing of Japan.

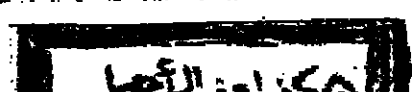
NEWS ANALYSIS—SULLOM VOE OIL TERMINAL

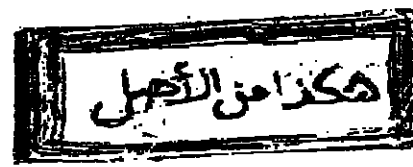
Far from end of a costly story

THE COST of building the massive oil terminal at Sullom Voe in the Shetland Islands has risen inexorably since first plans were tentatively laid in the early 1970s.

Airport closed

NORWICH AIRPORT was not operating today because of the one-day stoppage by the National Union of Public Employees and the transport workers' union.





Engineering union accused of bending the rules

BY ALAN PIKE, LABOUR CORRESPONDENT

LEADERS of the Amalgamated Union of Engineering Workers... attempts are complicated by political considerations...

Computer staff ballots on action which could delay Access bills

COMPUTER STAFF belonging to the National Union of Bank Employees... The company has its main computer complex at Southend...

Manchester bus crews stop work

BUS CREWS in Greater Manchester are to stage a one-day stoppage today... A total of 7,000 men are resuming the programme of disruption...

Law cannot stop trade unions abusing power - Lord Denning

FINANCIAL TIMES REPORTER

LORD DENNING, Master of the Rolls, declares that the law can do nothing to prevent abuses of power by trade unions... In a book, The Discipline of the Law, being published to mark his 80th birthday tomorrow...

Staff cuts at Belfast Ropework

BY OUR BELFAST CORRESPONDENT

THE BELFAST Ropework Company is to cut back its labour force by about a fifth because competition from abroad is hitting sales of some of its products... The company is to drop some unprofitable items in its product range...

Group Gold Mining Companies Orange Free State

(All companies are incorporated in the Republic of South Africa)

Reports of the directors for the quarter ended 31st December, 1978

FREE STATE GEDULD

Table with columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Operating Results, Financial Results, Dividends, and Development.

PRESIDENT STEYN (Continued)

Table with columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Operating Results, Financial Results, Dividends, and Development.

PRESIDENT BRAND

Table with columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Operating Results, Financial Results, Dividends, and Development.

FREE STATE SAAIPLAAS (Continued)

Table with columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Operating Results, Financial Results, Dividends, and Development.

Table for WELKOM Gold Mining Company Limited. Columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Operating Results, Financial Results, Dividends, and Development.

Table for FREE STATE SAAIPLAAS (Continued). Columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Operating Results, Financial Results, Dividends, and Development.

Table for WESTERN HOLDINGS Western Holdings Limited. Columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Operating Results, Financial Results, Dividends, and Development.

Table for FREE STATE SAAIPLAAS (Continued). Columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Operating Results, Financial Results, Dividends, and Development.

Table for PRESIDENT STEYN President Steyn Gold Mining Company Limited. Columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Operating Results, Financial Results, Dividends, and Development.

Table for FREE STATE SAAIPLAAS (Continued). Columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Operating Results, Financial Results, Dividends, and Development.

Table for FREE STATE SAAIPLAAS Free State Saaiplaas Gold Mining Company Limited. Columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Operating Results, Financial Results, Dividends, and Development.

Table for FREE STATE SAAIPLAAS (Continued). Columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Operating Results, Financial Results, Dividends, and Development.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED. Development values represent actual results of sampling...

Table for FREE STATE SAAIPLAAS (Continued). Columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Operating Results, Financial Results, Dividends, and Development.

Table for JOINT METALLURGICAL SCHEME. Columns: Quarter ended Dec. 1978, Year ended Sept. 1978. Rows include Summary, Development, and Notes.

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1977 (T) Silver Shadow II. Cardinal red, red hide, 7,000 miles.
1977 (S) Silver Shadow II. Acrylic white, blue hide, 14,000 miles.
1977 Silver Shadow II. Silver sand, brown hide, 15,000 miles.
1976 (T) Silver Shadow, LHD. Cardinal red, magnolia hide, 600 miles.
1976 Silver Shadow. White, red hide, black Everflex roof, front headrests, cassette player, 14,000 miles.
1976 Silver Shadow. Regency bronze, black hide, 18,000 miles.
1976 Silver Shadow. Seychelles blue, beige hide, 14,000 miles.
1976 (R) Silver Shadow. Walnut, dark brown hide piped in magnolia, whitewall tyres, 10,000 miles.
1976 Silver Shadow. Regency bronze, black Everflex, 14,000 miles.
1976 Silver Shadow. Pastcock blue, tan hide, 11,000 miles.
1976 Silver Shadow. La Mans blue, blue/grey hide, 21,000 miles.
1976 Silver Shadow. Cardinal red, beige hide, 14,000 miles.

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1976 Aug. Rolls-Royce Silver Shadow. Silver Chalice, Dark Blue Everflex roof. Blue leather. Speedometer reading 23,500 miles.
1978 Aug. Rolls-Royce Silver Shadow Saloon. Willow Gold, Black Everflex roof, Black leather. Speedometer reading 20,000 miles. £26,750
1974 Mar. Rolls-Royce Silver Shadow Saloon. Silver Mink over Seychelles. Blue, Dark Blue leather. Speedometer reading 38,000 miles. £18,950
1973 Sep. Rolls-Royce Silver Shadow Saloon. Garnet, Black Everflex roof, Beige ether. Speedometer reading 35,500 miles. £17,999
1972 Feb. Bentley T Saloon. Silver Mink, Dark Blue leather with Drayton facings. Speedometer reading 8,000 miles. £18,994
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Telephone Tome Goldsmith on Forest Row 3055.
For further details
STONEDEN GARAGES LIMITED
52 HARTFIELD ROAD
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CITROEN
ROLLS ROYCE T Reg. Shadow II. Latest model and specification with many factory fitted options, under 1,000 miles. Part exchanging available. Details from: Len Street, 67-69 Drayton Gardens, Chelsea, London SW10 9QZ. Telephone: 01-370 4114.

CLASSIFIED ADVERTISEMENT DEPARTMENT
FINANCIAL TIMES
10 CANNON STREET, LONDON EC4P 4BY
For further information contact Simon Hicks
Tel: 01-948 5115

JUNE 1974 ROLLS ROYCE (SILVER SHADOW)
One owner, chauffeur driven, immaculate condition. Driven 34,000 miles.
PRICE: £18,000
Ring Mrs D. Pecher (01-498 0851)

COMPANY NOTICES

ANGLO-AMERICAN CORPORATION GROUP TRANSVAAL GOLD MINING COMPANIES

FINAL DIVIDENDS—FINANCIAL YEARS ENDED DECEMBER 31 1978

On January 18 1979 dividends were declared in South African currency...

Table with columns: Name of company, Dividend No., Rate of dividend per share.

EAST DAGGAFONTEIN MINES LIMITED The directors of East Daggafontein Mines Limited have decided not to declare a final dividend for the year ended December 31 1978...

THE SOUTH AFRICAN LAND & EXPLORATION COMPANY LIMITED The directors of the South African Land and Exploration Company Limited have decided to declare a dividend of 25 cents a share in respect of the year ended December 31 1978...

ANGLO-AMERICAN CORPORATION OF SOUTH AFRICA LIMITED By order of the Board Secretary...

SOUTHVAAL HOLDINGS LIMITED

DIVIDEND FOR YEAR ENDED DECEMBER 31 1978

On January 18 1979 dividends were declared in South African currency...

Table with columns: Name of company, Dividend No., Rate of dividend per share.

ANGLO-AMERICAN CORPORATION OF SOUTH AFRICA LIMITED By order of the Board Secretary...

ALLMANNA SVENSKA ELEKTRISKA AKTIEBOLAGET (ASEA)

SUS 30,000,000 8 1/2% Bonds 1986

Notice is hereby given to bondholders of the above loan that the amount redeemable on March 1, 1979, i.e. SUS 3,000,000, was bought in the market.

Trustee: The Law Debenture Corporation Limited, London.

Principal Paying Agent: Kredietbank S.A. Luxembourg.

OLYMPIUS OPTICAL COMPANY LTD. (Incorporated in the Republic of South Africa)

BEARER DEPOSITORY RECEIPTS representing Preferred Stock of BAXTER'S ALUMINUM CORPORATION

CORRECTED NOTICES M.V. ENGELSCHE-HOLLANDSCHE BELEGINGS TRUST

NOTICE IS HEREBY GIVEN that the first issue of shares of the above company...

BANQUE NATIONALE DE PARIS Floating Rate Note Issue of \$US70m. January, 1977/83

COSMOPOLITAN 79 Villas & Windmills

PERSONAL FLORENCE—Learn Italian quickly and easily...

Group Gold Mining Companies (All companies are incorporated in the Republic of South Africa) Transvaal

Reports of the directors for the quarter ended 31st December, 1978

VAAL REEFS Vaal Reefs Exploration and Mining Company Limited

ISSUED CAPITAL: 19 000 000 shares of 50 cents each

Table with columns: Quarter ended, Year ended. Rows: Operating Results, Financial Results, Dividends.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the quarter ended December 31 1978

Table with columns: Advance metres, Channel width, Sampled, Gold, Uranium.

Table with columns: Quarter ended, Year ended. Rows: Profit before taxation, Taxation, Profit after taxation.

Table with columns: Quarter ended, Year ended. Rows: Profit before taxation, Taxation, Profit after taxation.

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VAAL REEFS SOUTH LEASE AREA—Continued

Table with columns: Date, Gold, Uranium. Rows: July 31 1978, September 30 1977, January 19 1979.

SOUTHVAAL HOLDINGS SOUTHVAAL HOLDINGS LIMITED

The attention of shareholders is directed to the report of Vaal Reefs Exploration and Mining Company Limited.

ELANDSRAND Elandrand Gold Mining Company Limited

ISSUED CAPITAL: 75 484 238 shares of 20 cents each

Table with columns: Quarter ended, Year ended. Rows: Operating Results, Financial Results, Dividends.

Table with columns: Quarter ended, Year ended. Rows: Profit before taxation, Taxation, Profit after taxation.

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S.A. LAND The South African Land & Exploration Company Limited

ISSUED CAPITAL: 6 000 000 shares of 35 cents each

Table with columns: Quarter ended, Year ended. Rows: Operating Results, Financial Results, Dividends.

Table with columns: Quarter ended, Year ended. Rows: Profit before taxation, Taxation, Profit after taxation.

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CLASSIFIED ADVERTISEMENT RATES

Table with columns: Type of advertisement, Rate per line.

For further details write to: Classified Advertisement Manager, Financial Times, 10, Cannon Street, EC4P 4BY.

The war that never ends

We British are a peaceful people. When a war is over we like to consign it to the history books—and forget it.

The Army Benevolent Fund

for soldiers, ex-soldiers and their families in distress Dept. FT, Duke of York's HQ, London SW3 4SP

LOCAL AUTHORITY BOND TABLE

Table with columns: Authority, Annual interest, Life.

Building and Civil Engineering

£10m venture in Ireland

THE CONSTRUCTION of the civil works for a marine terminal at Aughinish Island will be undertaken by Christiani and Nielsen and Colten Brothers (Dublin) under a £10m contract awarded by Alumina Contractors.

The two companies' joint venture covers the building of a jetty head 285 metres long by 40 metres wide. This will connect to the shore by a long approach-way 850 metres long.

The contract marks the second stage in the construction of the £27m alumina plant being built for Aughinish Alumina. The joint venture partnership will be known as Christiani and Nielsen-Colten.

Upon completion, this marine terminal will be one of the largest ever undertaken in the Republic of Ireland. Jetty head will be formed of precast concrete deck supported by two

metre diameter vertical tubular steel piles and will provide two berths.

Outer berth will accommodate vessels of up to 70,000 tons deadweight which will be used to carry bauxite to the island and carry alumina from it.

Second berth will be used for smaller vessels carrying fuel oils and liquid caustic soda to Aughinish for processing purposes and steam generation.

The jetty head will carry mechanical loaders and unloaders for transport of ore and alumina together with belt conveyors and pipe lines for the liquid products.

Also situated on the jetty head will be an office block and electrical substation and the 850 metre approachway (a precast concrete deck supported on steel box piles) will carry a roadway, conveyor galleries and pipe lines.

A certain amount of dredging

Inverness shopping centre

THE GO-AHEAD for a £7m project, the new Eastgate Shopping Centre in Inverness, has now been given by the Highland Regional Council Planning Committee, and construction will begin in the spring of this year.

Building of the development will be undertaken by Gilbert Ash, Scotland (a Bovis company, part of P & O), and the developer is the Edinburgh-based Vivian Linares. Hugh Martin and Partners is the architect for the scheme.

The company is no stranger to the area. In the north of Scotland it has completed major projects in Aberdeen, Wick, Glenrothes, Dornoch, Thurso, and Golspie.

Its experience in Inverness includes the completion of Millburn School, a refurbishment in the Queensgate, distillery at Knockando, and work on the Longman Industrial Estate.

£11½m for R. M. Douglas

RECENTLY-AWARDED contracts to R. M. Douglas Construction total £11½m and cover projects in the west Midlands, South Wales, the north west, North Wales, the north east and the home counties, and include work for industry, commerce, central and local government.

The largest job is valued at £2.5m, for a skill centre at Redditch for the Property Services Agency of the D.O.E. Work is starting immediately and the contract period is 17 months.

Also at £2.5m is a contract awarded by City Investments (Bridgend) for a shopping centre in Bridgend on which work has started and is due to be completed in 19 months.

Reconstruction work on the M5 motorway is the basis of a £1.8m contract by Hereford and Worcester County Council, due to be completed in June this year.

Other larger jobs include advance factories for the Welsh Development Agency at Shotton and Wrexham, in North Wales, and at Hendy in South Wales.

Apart from work on factories and offices throughout the UK, the total value of the contracts also includes alloy melting shop and scrap loading bay for BSC Stainless at Sheffield, telephone engineering centre at Crewe, and TA centre for the north of England.

Laing gets London housing job

REFURBISHING of properties on a pre-war London housing estate will give close on 200 families greatly improved living conditions.

John Laing's southern region will carry out the task under a £1.1m contract from the London Borough of Southwark. The two four-storey blocks involved are in Bermondsey and all 187 flats in them will have new gas and plumbing systems as well as complete rewiring.

For the Anglian Water Authority the company is building a £400,000 reinforced concrete sewage pumping station at Stamford-le-Hope, Essex.

For a total of £200,000 a 770,000-gallon capacity reservoir is to be built for the Property Services Agency at the Royal Navy Armaments Depot, Coupar, Dumbartonshire.

MARLEY
Roof Tiles

Total leadership through tile technology

Beside the seaside

A TERMINAL building at Brighton Marina for Jetlink Ferries will cost £200,000 under a contract awarded to Lesser Building Systems of Verwood Dorset.

The two-storey building will utilise the company's Low Maintenance PB4 Building System and will provide Jetlink with passenger, customs and immigration facilities for its Jetlink service to Dieppe which is scheduled to commence next May.

£5½m. warehouse and offices

THE CONTRACT for the design and construction of warehouses and offices for the publishing division of Cambridge University Press—total cost of the work is around £5.5m—has been awarded to IDC of Stratford-upon-Avon.

Printing and publishing houses of the University of Cambridge, the C.U.P. complements and extends the research and teaching activities of the University by making available, world-wide, an extensive range of academic and educational books, learned journals, bibles, prayer books and examination papers.

The new complex will be named after the Duke of Edinburgh—accordingly, called the Edinburgh Building.

A single unitary structure, the building will bring together on to one site all the publishing activities of the Press in the U.K. apart from a small London office. It will consist of two warehouses of different heights for the bulk storage, packing and despatch of books, and an office block to house 300 publishing staff. The six-acre site is adjacent to the University Printing House which accommodates the printing division of the Press.

The high warehouse, for longer-term storage of up to 15m books, will have an area of 3,800 square metres, and storage racking to a height of 13 metres. The lower, single-storey warehouse will be used for short-term storage and have an area of 4,200 square metres.

With an area of 5,927 square

£2½m leisure centre

MARPLES Ridgway Building has been awarded the Fimco Leisure Centre in Westminster, London, on a contract valued at £2.5m.

The contract is due for completion at the end of 1980 and will involve the construction and completion of a rectangular building housing, at one end, a 25 metre main swimming pool, a diving pool with a 5 metre high board, and a 18.88 metre by 7 metre learners pool designed to the Amateur Swimming Association's recommendations. At the other end of the building will be a sports hall, a conditioning room, and four squash courts.

The two areas are to be separated by a central area with a communal and administrative section, and facilities for public viewing. The height of the building was determined by the requirements of the various sports activities, particularly the 5-metre high diving board.

Darlington supermarket

THE EAST STREET Shopping Development in Darlington is a £1.5m contract won by Riggs and Hill Northern. Work has started following the signing of an agreement between Darlington Borough Council and Star Northern Properties, now owned by the Leeds-based development company, Michael Paul Management.

The scheme will provide a 55,000 sq ft supermarket on the ground floor with parking on

A quay in Cornwall

NEW MOORING and landing facilities for fishing boats at Newlyn Harbour, Cornwall, are to be built under a £1m contract awarded by the Harbour Commissioners to J. Thomas and Co. of Ponsanooth and Newton Abbot, part of the Mowlem Group.

The work includes construction of an in situ reinforced concrete jetty and quay, 820 ft long by 41 ft wide; the reclamation of land at the back and the provision of a lorry and car park.

Due for completion in summer 1980, the development will improve the currently congested facilities at Newlyn, especially in winter when it is used as the Cornish base for landing mackerel. A new fish market is a possible development on the quay after it is completed.

IN BRIEF

• Contract for a new office building valued at £1.1m has gone to Walter Lawrence and Son who will carry out the work on the Perivale Industrial Estate, Greenford, for Danfoss (London). It is due for completion at the end of this year.

• R. Fox and Sons has won a contract to undertake high grade spray finishing at The Shell Centre, London SE1. The work will cover the main entrance and large side windows of the tower block facing the river.

• Three piling contracts, with a total value of about £180,000, have been awarded to West's Piling and Construction Company, of Colnbrook, Slough, part of the WGI engineering group. The piles are to be installed as foundations for a bus garage at Thamesmead, for a cold store extension at Kings Lynn and housing at Harts-pool.

Homes in Sunderland

WORK WILL start in the next few weeks on a new £2½m-plus project to build about 150 houses for owner-occupation at the Chapel Garth development at Sunderland, by Tyne-side-based housebuilding group, William Leech.

The company acquired the site, in the Duxford Park area, from the local authority, where it will build seven different types of homes at prices from about £17,500.

In the Albany Village area of nearby Washington, the same builder has started work on

roads and sewers for a development in excess of £1m. This will provide at least four different types of owner-occupied homes in the £16,500 to £20,000 range, one type of which is a new three-bedroom semi-detached which the company is introducing for the first time to the north east.

Agriculture in Togo

A SCHEME involving the development of almost 7,400 acres of land for irrigation and crops, and another 25,000 acres of extensive pasturage, is the responsibility of Swiss company,

Universal Engineering and Finance Corporation (affiliated to the Swiss Bank Corporation), which has just begun work on the agricultural development of the Namiele basin in the Republic of Togo in West Africa.

Detailed plans, execution of the work, supply of equipment, training of farmers and technicians in Togo—as well as management of the whole scheme which will take at least five years to complete—are all the responsibility of the Swiss company.

It has negotiated this scheme, estimated at several tens of millions of Swiss francs, in conjunction with the Swiss company Industrie et Développement SA (INDEVSA), and is also responsible for handling the financing.

Good start by Cubitts

OVER 90 homes of traditional construction are to be built by Cubitts for Bristol City Council under a £984,000 contract.

This latest contract makes an encouraging start for Cubitts and brings the total value of new work gained since the start of this year to £2m.

The new two-storey homes, providing accommodation in flat and houses, are due for completion in autumn 1980. John Kendall Kingscott and Partners are the architects and Faithful and Gould the quantity surveyors.

Cubitts is also refurbishing two barracks blocks at RAF Chivenor, North Devon, under a £120,000 contract from the Property Services Agency and in the meantime with a contract for a block of six 5,000 q ft advance factories already under way at the Welsh Development Agency's Tafarnau estate the company has successfully tendered for four more there of 10,000 sq ft each. Value of the work on this estate is over £1m.

Hat on a hot tin roof

INSTABOND is a heavy-duty self-adhesive waterproofing membrane developed by D. Anderson and Son.

Intended for warm climates, it consists of a glass-fibre core thickly coated with a synthetic rubber-reinforced bitumen. A polyester foil facing is laminated to one side.

Instabond can be used on primed concrete, masonry etc. for tanking, roof waterproofing, as a damp-proof membrane in solid floor and vertically or horizontally for any related constructional use. For exposed roof finishes, there is a white grade which has a white mineral granular surface and a glass-fibre core. This is also available in 300 mm wide pre-cut rolls as angle flashing strip which is used in conjunction with both products for all exposed detail work.

A siliconised release paper backing is applied during manufacture to the underside of both membranes and is progressively removed during application.

Instabond easily recovers from the normal minor stresses induced by structural expansion and contraction, screed shrinkage etc., caused by temperature fluctuations. The chemical composition, allied to its high bond strength means that it is self-sealing around small puncture points.

D. Anderson and Son, Streetford, Manchester M32 0YL, tel. 061-865 4444.

Wiltshier gets variety of work

LATEST contracts awarded to Wiltshier International Interior Contractors of Canterbury, Kent, which total nearly £350,000, include a £222,000 refurbishing job at the Palm Beach Casino in Berkeley Street, London, W1 for Coral Casinos. Architects are Garnett Cloughley Blake-more and Associates.

In Duke Street, London W1, Wiltshier is converting a shop and office to an art gallery for David Grob Fine Arts. The designer for this £103,000 contract is Robin Samuel. Wiltshier is also modernising a shop in Romford, Essex, for D. Russell.

Access to high spots

THE NEW Hy-Ryder MZ.40 Manlift work platform is designed safely to lift 500 lb (226.8kg) of men and materials rapidly into inaccessible areas 40 feet (13.2m) above ground level, eliminating all conventional need for ladder and scaffold access.

This self-propelled hydraulic zoom work platform requires no outriggers on an outreach up to 23 feet (7m) and can be driven, steered, raised, lowered, swung and extended with complete precision by the men working from the 30 x 60 inch (76cm x 1.5m) platform itself.

The unit is fitted with plug-in control panels and standard incorporates facilities for a 350 degree boom rotation and has three speeds forward plus reverse.

Hy-Ryder, Manlift House, Crabtree Manorway, Belvedere, Kent, DA17 6AR, Erith 47721.

Concrete pontoon study

AT THE REQUEST of Cockerill Yards, Hoboken, N.J., Belgium, Lloyd's Register of Shipping has carried out a feasibility study of a 130-metre-long prestressed reinforced concrete pontoon on which it is intended to install an 8,000 tonne process plant.

The assistance of the advisory and projects group of Lloyd's Register's hull structures department was requested for the structural design of the pontoon. This involved the formulation of the design basis and the evaluation of the design loads. Other aspects which Lloyd's Register considered were the determination of structural response characteristics, an evaluation of the necessary prestressing forces, a preliminary structural design and a weight estimate.

During the evaluation of static and environmental loads, special attention was paid to the initial delivery voyage conditions which, for the purpose of the study, were taken to involve an all-seasons open-sea tow.

Lloyd's Register of Shipping on 01-709 9166.

Let us make an exhibition of your work!

The DoE and RIBA are once again sponsoring the Good Design in Housing Awards.

The winning designs will be exhibited at the R.I.B.A., then at the Department of the Environment and later at selected centres throughout the country concentrating on the winning locations. The awards ceremony will be featured prominently in the professional and technical journals, and a brochure containing the award-winning designs produced and distributed widely. All this focuses attention on examples of overall good design in housing, the planning of schemes well suited to their environment and the construction of dwellings specially designed to meet the needs of the people who inhabit them.

There are awards in three main categories—the public sector, the private sector and improvement schemes in both sectors. There are also special awards for housing for the elderly and the handicapped. There is no restriction whatsoever on the size of the private developer entering—a small firm is just as likely to win as a large one. But you can't win unless you enter.

The private sector is divided into two groups: one for lower-priced housing and the other for housing with no upper limit on selling price. The minimum number of dwellings per scheme is two. This is to provide more encouragement for the small firm to enter. Assessors will continue to take into account the market for which schemes are commissioned.

This scheme applies to England only.

FOR CORPORATE PLANNERS

INTERNATIONAL SEMINAR ON CORPORATE PLANNING
CEI, Geneva, Switzerland, June 18-28, 1979

A Seminar with a comprehensive approach to corporate planning in an international environment

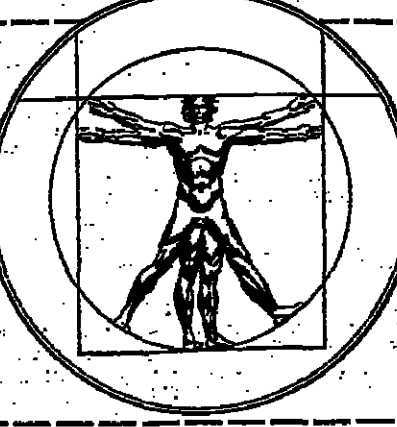
key elements:

- Strategic planning concepts which have been found successful by major multinational companies.
- Strategic planning issues emanating from the environments of the enterprise.
- Strategic planning tools and their applicability
- Strategic planning responses to the issues identified

For information, please contact:
CORPORATE & ALLIANCE RELATIONS DPT
CENTER FOR EDUCATION IN INTERNATIONAL MANAGEMENT (CEI)
4, Chemin de Conches,
CH-1231 Geneva,
Switzerland 49
Tel.: 0221 47 11 33
Telex: 27 48 2

Closing date for entries 30th March.
Photographs and plans may follow up to 12th April.
For further details and entry forms send this coupon or telephone 01-928 7855 ext. 780.

Name _____
Address _____



The Secretary, Awards for Good Design in Housing 1979,
The Department of the Environment (Dept. FT) Room 831, Becket House,
1 Lambeth Palace Road, London SE1 7ER.

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Manufacturers of precision partitioning & laboratories associated components specialist fittings & fixtures

Invite you to an Exhibition of their product range at the Building Centre, 26 Store Street, W.C1
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79 The Mill Drive
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Hants GU14 7JH
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PLANT & MACHINERY SALES

Description	Telephone
ROLLING MILLS 5in x 12in x 10in wide variable speed Four High Mill.	
3.5in x 8in x 9in wide variable speed Four High Mill.	
10in x 16in wide fixed speed Two High Mill. 10in x 24in wide fixed speed Two High Mill. 17in x 30in wide fixed speed Two High Mill. 24in x 36in wide x 300 HP Two High Mill.	0902 42541/2/3 Telex 336414
1970-CUT-TO-LENGTH max capacity 1,000mm 2mm x 7 tonner coil fully overhauled and in excellent condition.	0902 42541/2/3 Telex 336414
STRIP FLATTEN AND CUT-TO-LENGTH LINE by A.L.M. Max capacity 750 mm x 3 mm	0902 42541/2/3 Telex 336414
FARMER NORTON 18in WIDE CUT-TO-LENGTH LINE , Max capacity 15in x 10 s.w.g.	0902 42541/2/3 Telex 336414
RWF TWO-STAND WIRE FLATTENING AND STRIP ROLLING LINE , 10in x 8in rolls x 75 hp per roll stand. Complete with edging rolls, cur's head, flaking and fixed recoller, air guiding, etc. Variable line speed, 0/750ft/min and 0/1,500 ft/min.	0902 42541/2/3 Telex 336414
SPLITTING LINES (2) 300 mm and 500 mm capacity.	0902 42541/2/3 Telex 336414
8 BLOCK (400 mm) IN LINE, NON-SLIP WIRE DRAWING machine in excellent condition. 0/2,000 ft/min variable speed, 10 h.p. per block (1968).	0902 42541/2/3 Telex 336414
24in DIAMETER HORIZONTAL BULL BLOCK by Farmer Norton (1972).	0902 42541/2/3 Telex 336414
PACEMAKER SIX BLOCK (22in x 25 h.p.) variable speed Wire Drawing Machine by Marshall Richards.	0902 42541/2/3 Telex 336414
2 1/2 DIE M54 WIRE DRAWING MACHINES , 3,000 ft/min with spoolers by Marshall Richards.	0902 42541/2/3 Telex 336414
9 DIE 1750 ft/min SLP TYPE ROD DRAWING MACHINE equipped with 3 speed 200 h.p. drive 20in. Horizontal Draw Blocks, 22in Vertical Collecting Block and 1,000 lb Spooler (Max. Inlet 9mm finishing down to 1.6 mm copper and aluminium).	0902 42541/2/3 Telex 336414
7 and 9 ROLL FLATTENING & LEVELLING MACHINES , 20in, 36in & 72in wide.	0902 42541/2/3 Telex 336414
100 TON CAPACITY COILING PRESS by Taylor & Challen virtually unused—fully automatic, 160 s.p.m., x 24 mm stroke.	0902 42541/2/3 Telex 336414
HYDRAULIC SCRAP Baling Press by Fielding and Platt, 85 ton main ram pressure.	0902 42541/2/3 Telex 336414
TYPE 1000R CINCINNATI PLATE SHEAR , max. capacity 1,250 mm x 25 mm M.S. Plate, complete with full range of spares.	0902 42541/2/3 Telex 336414
No. 1 FICE SHEAR , max. capacity 30 mm rounds, 75 mm x 35 mm bar, 400 mm x 10 mm flats (square shear blades).	0902 42541/2/3 Telex 336414
CAYMAN ALLIGATOR SHEAR , max. capacity 30 mm rounds, 500 mm x 40 mm bar and 600 mm x 16 mm flats (square shear blades).	0902 42541/2/3 Telex 336414
CINCINNATI GULLOTINE 2,500 mm x 3 mm capacity complete with magnetic sheet supports and motorised back stop.	0902 42541/2/3 Telex 336414
1974 FULLY AUTOMATED COLD SAW by Noble and Smith batch control.	0902 42541/2/3 Telex 336414
3 CWT MASSEY FORGING HAMMER — pneumatic single blow.	0902 42541/2/3 Telex 336414
COLE MOBILE YARD CRANE , 6-ton capacity lattice jib.	0902 42541/2/3 Telex 336414
WALDRICH COBURG HYDRAULIC PLANER capacity 160in x 50in x 50in. Almost new condition.	01-928 3131 Telex 261771
4800 TON HYDRAULIC PRESS , Unstroke between columns 92 in x 52in daylight 51in.	01-928 3131 Telex 261771
UPSET FORGING MACHINE 4in dia. 750 tons upset pressure.	01-928 3131 Telex 261771
WICKMAN 21in 65P AUTOMATIC 1961 and 1962 EXCELLENT CONDITION.	01-928 3131 Telex 261771
CINCINNATI CENTRES GRINDER .	01-928 3131 Telex 261771
LINDNER JIG BORER , very accurate.	01-928 3131 Telex 261771
1500 TON CLEARING D A PRESS Bed 180" x 96"	01-928 3131 Telex 261771
200 TON VICKERS CLEARING PRESS Bed 36" x 40" Air-Clutch & Brake as new.	01-928 3131 Telex 261771
200 TON SCHULER HIGH SPEED PRESS Double roll feed, excellent.	01-928 3131 Telex 261771
WICKMAN 21" ASP AUTOMATIC , reconditioned.	01-928 3131 Telex 261771
LUMSDEN GRINDER 36" dia. magnetic chuck, reconditioned.	01-928 3131 Telex 261771
NATIONAL COLD HEADER 1" dia. recon.	01-928 3131 Telex 261771
280 TON TAYLOR & CHALLENGER DEEP DRAWING PRESS , excellent condition.	01-928 3131 Telex 261771
DEMOR HEAVY DUTY LATHE 38" dia. x 10ft. well equipped, reconditioned.	01-928 3131 Telex 261771
CINCINNATI No. 3 HORIZONTAL MILL	01-928 3131 Telex 261771
INDEX 830 AUTOMATIC , rebuilt.	01-928 3131 Telex 261771
V.D.E. CENTRE LATHE 26" dia. x 14ft Spindle Bore, 51"	01-928 3131 Telex 261771

MANAGEMENT

Nicholas Leslie meets the man who helped launch a small Buckinghamshire water treatment company on a new wave of growth

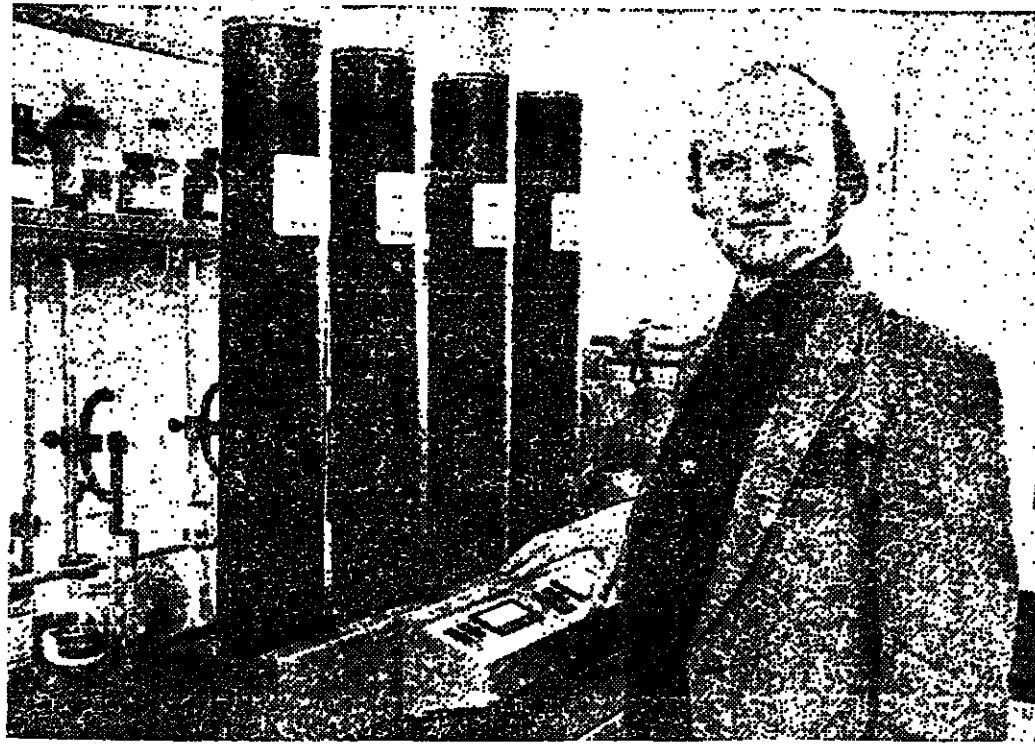
How Elga struck the right note for expansion

"I WAS sunbathing in my garden one day when this chap came riding up on a horse and looked over my hedge and asked me if I would like to go and run his company. I said, 'No thank you'."

That might have been the end of the matter, but for David Moreau it turned out to be the rather unlikely beginning of a relationship which launched a small Buckinghamshire water treatment company on a new wave of growth.

Wycombe—and there are not many companies in Chiltern villages."

But there were also some rather weighty reasons which now appear particularly significant in the context of the recurring gloom among smaller businessmen that they are being targeted by Government legislation.



David Moreau: 'the whole nature of a company changes when you spur it on'

Moreau's background is essentially entrepreneurial. After gaining degrees in both law and modern languages, he spent most of his formative management years in the pharmaceuticals industry—'medicine is my hobby,' he claims.

Though he gained his early experience in a large organisation—Beecham—it was during the period when the group was only just establishing its ethical pharmaceutical activities. Moreau was involved in setting up new operations, in particular in Germany and Belgium, and therefore faced the problems and opportunities associated more generally with smaller businesses.

Walter Lorch's own objective in acquiring Moreau was to enable him to retire from Elga. He had founded the company in 1937 to manufacture electrical and gas components for domestic appliances. In 1954 he moved into water purification, after encountering the problems associated with tap water siltling up steam irons and other appliances.

action of contaminants. Today, Elga makes both custom-designed and standard systems using de-ionisation and reverse osmosis techniques to remove contaminants. Its products are used in laboratories, hospitals and such industries as soft drinks, paints and cosmetics.

presentation of products, more colour in advertising and publicity material, and generally tried to put over an image of quality products and service.

Relishes

Many of the current management have come up through the ranks and Moreau clearly relishes the idea of people taking this path. "What I like is to take somebody who I feel has a particular talent and give him a chance to use it," he says.

Another research area is concerned with the way resins used in water treatment tend to get fouled up by organic materials, such as leaves. A "scavenger" resin to rot these organisms, so preventing fouling, would save considerable costs since cleaning resins is an expensive process.

SIR Raymond Pennock, deputy chairman of ICI describes as "dangerous" the widely accepted view that the only way for a company to achieve growth in a low growth economy is to increase its market share.

The dangers of going for increased market share

BY CHRISTOPHER LORENZ

panies to adopt to the problem of low growth is "a much more sensitive pricing policy," Sir Raymond told bankers and investment analysts at a seminar, organised by Eurofinance.

prices to increase their market share. Since none of the majors was prepared to share market share, they succeeded only in making losses.

Questioned after his speech, Sir Raymond admitted that there were circumstances and industries where price cutting during a recession could be a profitable policy.

and has emerged with a greater market share and a more stable business.

strength, all of them unwilling to cede market share.

This is not the first time ICI has attacked its main European competitors for drastic price cutting in depressed sectors of the market—pre-eminently synthetic fibres. The group has, to quote Sir Raymond, been trying "to maintain prices at levels which reward existing

assets" even if volume growth falls.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

No need for the human hand

ROBOTS designed and made in Japan, by Fujitsu Famic are to be marketed by Hydro Machine Tools, of Halstead, Essex (a member of the 600 Group), in the UK at prices ranging from £25,000 to £80,000.

Flow tested by sound

ULTRASONIC level detector equipment which can also be used for flow measurement in open channels has been introduced by Robertshaw Skill of Skelmersdale, Lancashire.

Temperature indicator

INTRODUCED INTO THE UK from the U.S. by British Rotherm is a hand-held digital thermometer which makes use of a microprocessor to deal with linearisation of sensor characteristics and to control the necessary analogue to digital conversion.

Close check on big pipes

VITAL circumferential welds in the southern section of an 800 mile long 56 inch gas pipe line that will take gas from Iran into Russia will be ultrasonically tested by a complex automated system made by MatEval NDT Company of Newton-le-Willows. Similar units have already been supplied to Russia for the northern section.

IBM point-of-sale equipment

RETAIL STORE units to perform all normal cash register operations and provide an economical store-and-forward data collection system for both individual and multiple stores have been announced by the General Systems Division of IBM United Kingdom, for shipment to start at the end of the year.

Sensitive detectors

FAST RESPONSE uncooled infra-red detectors for industrial high speed infra-red imaging and detection from Plessey are for applications such as fast feedback control of laser cutting, welding and engraving installations.

Electronics in business

FOLLOWING the success of its Post Office Telecommunications symposium last September which was attended by 200 people, Information Studies has organised a repeat of the event on January 29-30 and has announced a number of kindred meetings.

Handling Moves materials around

FOLLOWING success of the vehicles is eight kilograms and the space for the load is 360 x 120 x 295 mm.

Checks the dimensions

AVAILABLE from Machsize is a 250 mm (10 inch) vertical display column using 100 plug-in light emitting diode lamps, one of which lights up according to dimensions sensed by an associated transducer.

Computers for China

CLAIMING TO be a leader in the difficult business of exporting technology to China, and among the first companies to take advantage of the opening up of trade with this country, is London-based Abacus Computers.

Handling problem solved

A TRADITIONAL cause of frustration in the field of pipe fitting and welding is the problem of aligning the fitting to the pipe. Further problems are encountered in handling the pipe, in fitting, and attempting to achieve a reasonable degree of accuracy in line-up prior to welding.

Analyses factory operations

DESIGNED OVER a period of eight years by production experts, with the intention of accurately simulating a factory, EBS 11 differs from other systems in that it operates from an actual model of factory conditions.

Checks the dimensions

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THE NORGEN OLYMPIAN PLUG-IN SYSTEM. This unique system of Compressed Air Processing Equipment has been extended and now provides for 1-1/2 inch piping installations.

DATA PROCESSES Analyses factory operations. DESIGNED OVER a period of eight years by production experts, with the intention of accurately simulating a factory, EBS 11 differs from other systems in that it operates from an actual model of factory conditions.

Checks the dimensions. AVAILABLE from Machsize is a 250 mm (10 inch) vertical display column using 100 plug-in light emitting diode lamps, one of which lights up according to dimensions sensed by an associated transducer.

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10 LOMBARD

That mysterious pay data bank

BY SAMUEL BRITTON

MANY PEOPLE must have been puzzled to see at the end of the first week of January a report that the CBI Data Bank was claiming that most settlements were in keeping with the Government's pay guidelines. The fact remains that if analysed properly the Data Bank is probably the best available source of information on the current pay rise outside Government sources.

The Data Bank was set up in 1977 at a time of Stage Three. Over 8 million workers were covered last year, and enquiries have not been confined to CBI members. The Bank had quite a success in assessing the movement of wages in Stage Three. The present pay round is much more difficult to assess. This is both because the 5 per cent norm is much further below the going rate than the 10 per cent one of Stage Three, and because negotiators have deliberately delayed settling. The CBI's error up to early January was that it tried too hard to present the figures in a way which would help the Government's 5 per cent pay guidelines.

Fortunately the CBI is now moving to a more open policy. Its latest figures cover 1.6m workers who have so far settled, and the lag in reporting can be anything from a few days to a month. The oil tanker drivers, for instance, are still excluded. The CBI has now dropped the stress on compliance with the official guidelines and is concentrating more on "telling it like it is".

The outstanding fact is that about 1.3m of the workers who have so far settled are covered by "national agreements". Both set minimum rather than actual rates. Indeed over two-fifths of all employees, who have so far settled have received well above 5 per cent, but have used the escape clauses of the official White Paper, including the one for low pay.

The nub of the CBI information relates to 512 settlements covering over 300,000 employees of private sector companies. Some 55 per cent of these employees settled at 5 per cent or less. Another 10 per cent settled at between 5 and 10 per cent; from this it does not take a mathematical genius to work out that about 35 per cent of those in private sector settlements received above 10 per cent.

The CBI excludes so-called "self-financing productivity deals" from its summarised totals. But it does say that about one-fifth of those covered by settlements in the 5-10 per cent range and about two-fifths of those receiving 5 per cent obtained also a productivity element. This is said to be worth on average about 5 per cent. An approximate figure suggests a going rate of settlement so far of about 8 to 10 per cent, depending on whether or not productivity deals are included.

CBI members are reporting expectations of larger pay rises than they were a few weeks ago. But the main reasons given are not the removal of sanctions, the Whitehall establishment as the publicity given to the tanker driver and road haulage disputes and also to the BBC settlement, in which the Government clearly connived.

The end of three years of rigid controls must inevitably cause some pay explosion. Moreover, existing monetary guidelines, although tight enough to prevent a breakthrough of 1974-75 proportions are far too high to be consistent with anything like the 5 per cent settlements norm.

The danger, however, is that the headlines about settlements will give an impression of a much greater acceleration in pay than is justified. The CBI's earlier over-cautious presentation of its figures has contributed a little to the distortions in the settlements themselves peculiar to this particular pay round. When sanctions were in force there was an obvious incentive on all sides to minimise published percentages and to put the emphasis on the productivity deals, deferred elements and other ways round. Now union leaders have an interest in maximising headline percentages. In one prominent recent settlement, which was reported to be worth up to 15 per cent was believed by employers to be worth 11 or 12 per cent.

What we look like seeing during this round is a combination of low settlements and abnormally high drift in the early part, and high settlements with abnormally low drift in the latter part. But the movement of actual earnings could be much less sensational. The CBI's best estimate for this round is in the admittedly broad range of 11 to 15 per cent. Given a firm policy towards sterling this could still be consistent with inflation not going much above 10 per cent, or even necessarily reaching that figure, for the rest of this year.

PICKETING is a loose word covering a multitude of actions taken by those on strike seeking to persuade others—fellow workers, substitute labour, customers or suppliers—to assist in the industrial action by causing those others not to deal with the employer in dispute. It has even been extended to demonstrations by the consumer protection lobby. Since 1975, Parliament has attempted, with intermittent help from the courts, to define what picketing is legal and what is not. Its relative failure is reflected in the uncertainty about the legality of the action of picketing lorry drivers in the road haulage strike.

All the variations on the single theme of picketing can be, and are pursued with greater or lesser degrees of vigour. A picket may stand in sullen silence outside the employer's factory gates, content with displaying on a placard the fact of the strike in language calculated to encourage workers' solidarity. Another might find the silent vigil too tame and ineffective. He may indulge in practices that, more or less, are found tolerable in a civilised country. A demand, for example, that an employer should pay money to a trade union before deliveries will be allowed, or that an employer's premises is pure extension and constitutes blackmail.

In some instances the attempt to persuade by protest and demonstration spills over into violent action and serious—even fatal—injury. In between the two extremes there is a whole gradation of conduct that the law ought to be definite about in tolerating or forbidding. But it is not possible to assert either that picketing is legal or illegal. It all depends.

That Parliament has given a minimal right to picket is undoubted. The problem is to say how far that minimal right extends; and worse still to say how far conduct declared lawful by statute would be unlawful without it. Section 15, Trade Union and Labour Relations Act 1974—the latest of four legislative steps—says that it shall be lawful for people to attend at or near certain places for certain purposes, so long as they act in contemplation or furtherance of a trade dispute.

The crucial element in that provision is the concluding phrase, as it has been interpreted by the courts within the last year or so. But, quite apart from the restricted way in which the courts have interpreted that phrase, the section in the Act gives a very limited right. It is, above all, always subject to regulation by the police in exercise of their power to prevent a breach of the peace. Much recent picketing has come perilously close to the physical blocking of the roads leading to and from the place of work and as such constitutes a public nuisance which is a crime as well as a civil wrong.

In such a situation not to obey policeman's instructions (provided he acts reasonably in order to prevent a breach of the peace) may amount to an offence of obstructing the police in the execution of their duty. Mass picketing is thus almost bound to fall foul of the law.

Trade unionists object that this places far too large a discretion in the hands of the police. As soon as there is the slightest sign of trouble, the police may move in and ask the pickets to move on. Picketing runs the constant hazard that it will be brought to an abrupt end. It is tolerated only so long as the police agree. In the event, trade unionists sensibly discuss in advance with the police the limits of their proposed activities.

This, it is forcibly said, denotes the right into a privilege at the behest of the police. Neither side can be very happy with this state of affairs, but it is difficult to see how it could be otherwise. The very over what was "peaceful picketing and what was not. The Act solved the problem by making it clear at least that peaceful picketing included, not only peaceful transmission of information (that there was a strike going on) but also peaceful persuasion (not to cross the picket line), and so it has been repeated in the recent legislation of 1971 and 1974.

But the protection of the pickets against criminal prosecution or civil proceedings covered only producer-picketing and not consumer-picketing; that is, persuasion not to work as opposed to persuasion not to buy.

The essential protection to peaceful picketers who might otherwise be obstructing the highway or causing a public nuisance is that their activity great and will be ephemeral.

Before the Trade Disputes Act 1906 there was a contrary view over what was "peaceful picketing and what was not. The Act solved the problem by making it clear at least that peaceful picketing included, not only peaceful transmission of information (that there was a strike going on) but also peaceful persuasion (not to cross the picket line), and so it has been repeated in the recent legislation of 1971 and 1974.

Given police tolerance, there is, nevertheless, a right to attend a place of work, but only for the purpose of obtaining or communicating information or "peacefully persuading" another person. Attendance for that purpose includes the right to try and persuade anyone who chooses to stop and listen, in so far as that can be done in a reasonable way with due consideration for others.

But there is decidedly no right to submit anyone to any kind of constraint or restriction upon his personal freedom. And there is the rub.

A picket, in days gone by, could get across his message to

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A picket, in days gone by, could get across his message to

papers to "black" all newspaper copy emanating from the Press Association in support of the strike of provincial journalists. That action was clearly unlawful, unless the action was taken in contemplation or furtherance of a trade dispute.

The National Union of Journalists genuinely and honestly believed that the blacking would assist their provincial members and advance the cause, and that that was enough to bring them within the immunity.

But Lord Denning is reported by the Daily Telegraph of December 21st as saying: "It is not sufficient that the trade union leader should advance the cause. It is not merely a subjective test. The act must be such as to be a reasonable prospect of being reasonably capable of advancing a trade dispute."

The journalists who were asked to black the copy were themselves in dispute with their employers, namely the "Confederation of British Industry" of which they were members. The evidence was not sufficiently compelling to show that the supporters of the strikers were themselves engaged in a contemplated trade dispute, or acting in furtherance of one.

The concluded view of labour lawyers this last week has been that the courts have clipped the wings of the trade unionists who had thought that the latest legislative assault into the confinement of industrial action was comprehensive. It looks now as if, when the winter of our discontent has passed, Parliament will again be debating the scope of the picketers' immunity and the trade unions' immunity from legal action.

Likely prospects at Newbury

WITH THE SEASON'S most competitive handicap hurdle, the Schwepps Gold Trophy, less than three weeks away, many trainers unable to do anything but minimal work with their Newbury hopefuls and denied

Albion Prince, the market leader in several lists, will represent Fred Rimell in preference to five other Kinnersley entries. The Prince Regent horse, the subject of some good sized ante-post bets when his weight of 10 st 10 lb became known, put up a more than useful performance when given the opportunity of a much needed run at Wolverhampton last week.

Not given a hard race there by Jimmy Burke after Heather Hawk, in receipt of 33 lb, had set up an unassailable advantage approaching the final furlong, Albion Prince coasted home, respectable second to the Ted Carter gelding, thought good enough by his handler to take the field for the Sun Alliance novices hurdle.

Mercy Rimell, understandably more than pleased with Albion Prince's effort, was in no doubt that the race would do the five-year-old nothing but good. "He hasn't done much at home because of the weather, and we had to get a race into him before the Schwepps," she said.

With 11 st, the Easterby day seems to hold every bit as bright a chance as his stable-mate Major Thompson, who is 10 lb heavier than him in the weights.

Dikarok Lad, Kenlis and Badsforth Boy all look likely prospects for Tony Dickinson at Teeside today, and it is with more hope than confidence that I suggest Kenlis as his best bet.

TEESSIDE
12.45—Dikarok Lad**
1.15—Most Jubilant
1.45—Irish Prince
1.15—Kenlis***
3.45—Badsforth Boy*

Within the law, not seen out since narrowly escaping disaster when crashing through the rail two flights from home in the Bula hurdle at Chetkenham early last month, lost the opportunity of a preliminary run at Haydock. However, unlike Albion Prince, the Peter Easterby gelding, winner of his first three races last term, needs little preparation and the absence of a previous run would in no way dampen my hopes for him on February 10.

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Within the law, not seen out since narrowly escaping disaster when crashing through the rail two flights from home in the Bula hurdle at Chetkenham early last month, lost the opportunity of a preliminary run at Haydock. However, unlike Albion Prince, the Peter Easterby gelding, winner of his first three races last term, needs little preparation and the absence of a previous run would in no way dampen my hopes for him on February 10.

With 11 st, the Easterby day seems to hold every bit as bright a chance as his stable-mate Major Thompson, who is 10 lb heavier than him in the weights.

Dikarok Lad, Kenlis and Badsforth Boy all look likely prospects for Tony Dickinson at Teeside today, and it is with more hope than confidence that I suggest Kenlis as his best bet.

TEESSIDE
12.45—Dikarok Lad**
1.15—Most Jubilant
1.45—Irish Prince
1.15—Kenlis***
3.45—Badsforth Boy*

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THE WEEK IN THE COURTS

BY JUSTINIAN

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Given police tolerance, there is, nevertheless, a right to attend a place of work, but only for the purpose of obtaining or communicating information or "peacefully persuading" another person. Attendance for that purpose includes the right to try and persuade anyone who chooses to stop and listen, in so far as that can be done in a reasonable way with due consideration for others.

But there is decidedly no right to submit anyone to any kind of constraint or restriction upon his personal freedom. And there is the rub.

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THE ARTS

ICA Theatre

The Warp by MICHAEL COVENEY

From a few feet, I entered the ICA at 10.45 am last Thursday. The Warp, a cycle of ten plays by the poet and painter Neil Oram, began at 10.45 am. After 18 hours of theatre, two one-hour meals and a half-hour beer and coffee interval at 2.35 am, I proceeded from the ICA to the Tube station at 8 am on Friday morning. I was tired but elated. One lighting cue went awry at 6.55 pm; Russell Denton, as the hero, Phil Masters, took his one and only prompt at 9 pm in the course of an astonishing performance which kept him before us for all but five minutes of the duration; a chair came apart in Phil's hand at 1.20 am and a telephone rang on the wrong set at 6.55 am. I was present in the theatre for every single word of the production. A company of about 40 actors and musicians play over 200 characters. There are ten acting platforms around a large pit of peat. The audience is mobile, squatting on benches and inhabiting vacant stages while the production team shifts scenery and properties around them. On high, a small rock band accompany the extraordinary saga through the ages, a preside in the 15th century Bavaria. Phil begins his quest for the truth and self-knowledge in a Torquay woodshed with a luscious, naked nymphomaniac. The year is 1957 and after an interlude in South Africa, he fetches up in the eccentric, bohemian world of Sam Widges, a Soho café where he's developing enthusiasm for poetry and jazz and starting to write in an improvised session. Up to this point, the actors progress in clockwise fashion from one set to another, establishing the narrative quality of the exercise before exploding all over the place. As the lights change, we find ourselves travelling from one part of the theatre to another. Phil dabbles with Scientology in order to combat his "feeling of loss and present time problem" and the second play opens with a brilliant half-hour audiotaping session in which our hero is compelled to dredge up childhood memories. Immediately afterwards, he receives his first warning about Scientology from a middle free-lover. The autobiographical nature of the piece is emphasised when Mr. Oram, in a marvellous bit of alienation theatre, appears himself to recount how he smuggled some dope through a Paris paralysed by political demonstrations. As the show builds up and goes on, you begin to realise that much of it is a pretty sarcastic lament for the hippie culture of the 1960s. The basic pattern is one of confession and reply, with an endless stream of extraordinary characters appearing to put Phil right, take him on to meet somebody else or just haul him into bed. There can be no conclusion for Phil is the sort of person who can never reach one himself. He goes through a lot, amassing experience on his travels, with women, in his interest in UFOs. At one point he becomes a paranoid schizophrenic, unable to escape from himself and strangely grateful that his wife finds happiness with his own best friend. He becomes a "magician of love," conducting a scientifically beautiful hypnosis trip for an admirer. —M/C No. 20 3/84 TRH— He runs an art gallery, attempts to animate a hippie community with a scathing attack on complacency while arguing that there is no point to a hippie lifestyle unless it "alters the psyche of the universe." The attempt, naturally, fails and, after attending a flying saucer conference in Ireland and encountering UFOs in the Rockies, Howard Parragon, he sets off to Loch Ness to start up a centre where "people can give birth to themselves." The location is allegedly haunted by Alister Crowley, and dark forces throw both his personal and ideological ambitions into confusion. Rachel supplants Maggie in his affections and that proves to be a step from the frying pan into the fire. Half-way through the cycle, the whole saga takes on the soap opera feel of something best described as "The Acid Archers." Writing and costumes convey exactly the tone of the period, with characters giving out love and generosity with the right hand while clawing destructively at each other with the left. Rachel oscillates violently between her upper-class background and Phil, eventually landing up in a lunatic asylum and leaving Phil to contemplate the Scientology movement as another powerful element in the global conspiracy game. Because the show is so long and so large, and because it has been directed by that unparalleled magician of alternative theatre, Ken Campbell, it is replete with amazing interludes and characters. In Soho, there is Billy McGuinness, the orator tramp who claims to be God and has returned to earth in order to pick up his long overdue royalties; there is King David, a figure who exists, as somebody said, somewhere between the worlds of Hitler and Gogol, bearing messages from Orion and interrupting his urgent mission only for cups of tea and raw onions; there is the hapless acid-freak who, in the show's most hilarious episode,



Monica Mason in 'The Rite of Spring'

Covent Garden

Stravinsky ballets

by CLEMENT CRISP

"Stravinsky's music persistently lives in our theatre because the theatre is so alive in his music." Thus the distinguished critic Minna Lederman pinpointed an essential fact about Stravinsky in a celebratory symposium some 30 years ago. The triple bill which the Royal Ballet showed us on Friday night—Firebird, Scènes de Ballet, The Rite of Spring—was continuing testimony to the truth of this observation. Firebird fades choreographically after the encounter of Ivan with the magic bird. We have moved so far away from Fokine's original, and I suspect that the text now offered by the Royal Ballet via Grigoriev and Chernichova extends the distance, that the manipulation of Katschey's hordes and the sweet evolutions of the princesses seem little more than choreographic small-talk. (Interesting, though, to see MacMillan repeating Fokine's idea of a line of dancers collapsing in sequence when Katschey first appears by showing Rite's tribe of aboriginals falling backwards in a serpentine shape across the stage.) What holds our attention now in Firebird are the luscious sonorities, the imaginative theatrical force of the score, which we transfer ear to eye, imbuing the boringly lit and stiffly played stage action with the fair-tale glow of the music itself. That the score was on Friday performed as if it were Minkus at his most leaden seems further tribute to Stravinsky.

The Firebird of the evening was Alfreda Thorogood, making her debut. She understands the bird's mystery—not a swan princess in orange feathers, but a magical being—and her clear line a moment of boldly unafraid grandeur when confronting Katschey, were admirable. But we still need to see far more soaring leaps at her first entry so that the bird flashes high through the garden; an unidentifiable flying object to bedazzle the prince, rather than a talented dancer launched into one of the most taxing of roles. I love Ashton's Scènes de Ballet, as I love the score, for its conciseness, its elegance, the way in which the extravagant paraphernalia of the 19th century ballet à grand spectacle is suggested in a few bars, a few steps, which capture the very essence of the classic ballet. This reduction of so much into so stylishly brief a form—inspired, so it seems to me, in both composer and choreographer by deep love and no less deep understanding—makes for Ashton's finest ballet.

Coliseum

The Marriage of Figaro

by DAVID MURRAY

Though the English National Opera's new Figaro has now seen extensive cast changes, the general effect seems—as far as one may judge from the initial reviews—much the same. The Susana and Cherubino of Lillian Watson and Sally Burgess remain the most fully and attractively realised characters; Miss Watson's "Deh vieni" is as lyrically charming as her Figaro's amorous pleading, minutes later, is heavy and graceless—John Tomlinson's large, pleasant voice is still very plainly used. Dennis Wick's Bartolo is ripe with comically mudgeonly distaste; his rapid patter is hobbled by all those consonants in the Dent words, two to every Italian one. The new conductor is David Sutton, but he has surely inherited his tempi from Sir Charles Groves—it is statistically improbable that an opera house should have two conductors who believe, independently that Figaro should go as slowly as this. The overture raced too hard for the comfort of the orchestra, but thereafter the recitatives were unconsciously dragged out and the ensembles were lacklustre—brought with the thought that Mozart had made heavy weather of lute jokes. The arias enjoy more orthodox treatment, though both the new Countess, Eiddwen Harry, and the wind section sounded tried by the stately pace of "Forgi amor." Miss Harry rose more confidently to "Dove sono," or rather sat and rose again—she does not now deliver it entirely from her armchair, but only touches down arbitrarily in mid-song. The quantity of sitting in Jonathan Miller's production has been widely remarked, and most of what movement there is is singularly tame; a dearth of comic urgency prevails throughout. Peter Knapp is a competent Count, with a touch of the John Cresses, but some things in the role lie outside his range: menace, ardour—his glazet repetitions of "O joy past all expressing!" were eerie—and the lower notes. Angela Bostock makes a dignified, sharp-eyed Marcelina, not quite easy with her aria yet; Terry Jenkins' Basilio has taken the measure of his, and makes a positive contribution whenever he appears. All in all it is a respectable cast, and if this is a bland, slow-motion Figaro at least it elapses in handsome, resourcefully lit settings. A generous injection of musico-dramatic pace could do wonders for it.

Shaftesbury

1001 Nights

by B. A. YOUNG

"I've got work to do," said the lady with the black lipstick, dusting my hair and climbing across the orchestra pit with her to the Sultan's bedchamber, but a lapse of memory compelled her to consult it. The Sultan naturally takes it from her, and having sent her to join all the previous wives in the abattoir, he settles down to read them for himself. There is a good deal of political reference (the dialogue and lyrics are partly in French though mostly in English, occasionally in Spanish or German). The roc is the familiar eagle of the United States; and quiches about such topical events as rail-strikes litter the speeches. Scenery and costumes by Michel Lebois and Michel Dussarrat respectively, are lavish, even if they do seem to belong in the circus-ring more than the theatre. There is a splendid camel. On a larger scale, there is New York, one of Peter Pan perhaps haunting the theatre still—"Clap your hands if you believe in genius!"; and justice is represented as unjust and cruel. As it happens, I found this part of the evening too sentimental for me. But the rest of it kept me laughing fairly steadily with its boundless novel invention. In the first half we see some of the adventures of Sinbad the Sailor (now a wealthy Parisian, but given to flashbacks), and in the second, the tale of Ali Baba and the Forty Thieves. Hopeless to try and recount all that happens. The tales take many unexpected twists; Sheherazade, for instance, has brought her book of stories with her to the Sultan's bedchamber, but a lapse of memory compelled her to consult it. The Sultan naturally takes it from her, and having sent her to join all the previous wives in the abattoir, he settles down to read them for himself. There is a good deal of political reference (the dialogue and lyrics are partly in French though mostly in English, occasionally in Spanish or German). The roc is the familiar eagle of the United States; and quiches about such topical events as rail-strikes litter the speeches. Scenery and costumes by Michel Lebois and Michel Dussarrat respectively, are lavish, even if they do seem to belong in the circus-ring more than the theatre. There is a splendid camel. On a larger scale, there is New York, one of Peter Pan perhaps haunting the theatre still—"Clap your hands if you believe in genius!"; and justice is represented as unjust and cruel. As it happens, I found this part of the evening too sentimental for me. But the rest of it kept me laughing fairly steadily with its boundless novel invention. In the first half we see some of the adventures of Sinbad the Sailor (now a wealthy Parisian, but given to flashbacks), and in the second, the tale of Ali Baba and the Forty Thieves. Hopeless to try and recount

Tableaux at Tussauds

Madame Tussauds is reviving the tableau, a popular feature of the exhibition in Victorian times. A set of nine tableaux, designed by Julian Trevelyan Oman, opened this week in a new display hall. The subjects include old favourites of Tussauds, such as the Execution of Mary, Queen of Scots and What did you last see your father? All the figures were designed with great attention to historical detail, and include a wax cast taken from the oldest work in the exhibition: the Sleeping Beauty is modelled on Madame du Barry, the mistress of Louis XV.



Russell Denton and Tony Maples

SPORT

RUGBY UNION BY PETER ROBBINS

Wales seize last-minute victory

IF ALL the matches of this year's international championship are as gripping as Scotland's against Wales, then we are in for a season of enjoyable suspense. It is often said that rugby is for the players to enjoy, and that second. The most satisfying of the spectators finish a poor feature of the match on Saturday was that both factions managed simultaneously to enjoy themselves. The final bias belonged to the Welsh who won 19-12, with Holmes scoring the winning try, converted by Fenwick, five minutes from time. It is debatable whether to play with the advantage of the elements in the first half. On balance, I think McGeechan was right to play downwind from the start even though Wales scored a penalty in the first minute. It is difficult to concede that Scotland failed to win a single match last season, so well did they play in the first half. The principal reason for this change was the performance of their half-backs, Lawson and the new cap Rutherford. Lawson has had his brushes with the establishment, but those are forgotten and forgiven. It was his kicking that made life wretched for new cap Elgan Rees on the wing and the great J. P. R. Williams. Rutherford, too, did considerable damage with his accurate positional kicking and once Scotland had gained territory, Lawson was able to run to ring-side of the scrum, giving Ringer a worrying time on the Welsh flank. Rutherford looks a real find and was not over-awed by the assembly of greatness opposite him. He has a quick, economic pass and his understanding with McGeechan and Irvine was remarkable. It was Irvine who epitomised Scotland's running policy with some incredibly audacious counter-attacks, made possible and more frequent by some poor clearance kicks from the Welsh three-quarters. Wales had no one of Irvine's

pace and dash, but what they had were 15 solid workhorses. Not that they were passive in the first half, but their passing behind was short of rhythm and frankly their pack had scarcely achieved the dominance entitling the team to indulge their superior scrummaging. Their superior scrummaging began to show, but elsewhere they met some stupendous close defence from Biggar—who has never played better—and Deans and Hay. The Welsh forwards could never develop that massive surge, and so Holmes and Davies were quite unable to regulate the tempo of the game, as is customary with Welsh half-backs. Irvine's brilliant try, following his two penalties, gave Scotland a lead of 10-3, and Wales faced their most difficult period towards half-time. Another Scottish score would have been ruinous for them but Lambie gave away a penalty which Fenwick converted. Irvine kicked a third penalty and half-time came not a

SOCCER BY TREVOR BAILEY

Second Division promotion battle

UNLIKE the First Division, where the overall standard has dropped noticeably, the Second Division contains a remarkable number of teams which have improved or are still improving. A fascinating struggle for promotion has already developed, with no fewer than 11 sides still interested in the outcome. One important reason for this is that the Second Division has the pick of most of the best young managers in the country—men whose playing careers have ended recently, and many of whom have been outstanding club captains. Mullery of Brighton, Durban of Stoke and Venables of Crystal Palace are three examples. They are the new breed of manager—articulate, intelligent, trendy and ambitious—who know that they have to produce success if they are to claw their way to the top of what must be about the most insecure of all highly-paid professions. At the Goldstone ground on Saturday, Stoke and Brighton and Hove Albion, now occupying the second and third positions in the table, fought a full-blooded, indifferently refereed battle on a heavy pitch. It ended as a 1-1 draw, which was probably a fair result, with both goals the product of defensive errors. The conditions suited the visitors better than Brighton, who lost much of their pleasing style and rhythm in the mud, especially after the interval when the surface was churned up. One gained the impression that some of their passes and moves were too ambitious for the circumstances. It was noticeable at the other end that the high ball directed at Stoke's tall, powerfully-built centre-forward, O'Callaghan, caused more defensive problems than more sophisticated methods of attack. Although Brighton's manager, Alan Mullery, was disappointed with his team's performance, and their failure to adapt, the imaginative and entertaining

football they play would prove a considerable asset should they achieve their ambition and join the elite next season. The directors of Brighton, a team which has never reached the First Division, and to whom the Second constitutes something of a novelty, have wisely decided that amenities at their ground have to be improved so that they may attract support on the scale needed to survive if they are promoted. As a result, their Board is about to embark on an ambitious building scheme, costing over £1m. It will double the seating capacity, increase the covered area, and introduce that new money-spinner, company boxes. One of Brighton's problems is that while they have been regularly drawing home gates in excess of 20,000—very good for the Second Division—their overall match receipts, despite higher admission charges to the terraces than most, have been comparatively small. The reason has been the shortage of seating. Most are taken up by season ticket-holders, and there are not sufficient to satisfy the requirements of supporters from big visiting clubs, who expect comfort and are prepared to pay for it. It is too early to say whether the Albion will celebrate the completion of their ground improvements in the First Division; but they must stand a good chance. Even more important, if they make the breakthrough, they have the talent to survive. Stoke were relegated after 14 consecutive years in the First Division, and their talented side, which won the League Cup in 1972, was sold. Now in their second season of Second Division football, their new manager, Alan Durban, could well be taking them back. However, before becoming too excited by what is happening at the top of the Second, it would be well to remember that two of the recently relegated teams, West Ham and Newcastle, are also pressing strongly for an immediate return.

FINANCIAL TIMES

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Strikes and the law

THE SUDDEN outbreak of strikes in the past few weeks can be regarded as the consequence of two events—the end of three years of a fairly rigid incomes policy and the change of leadership in the country's largest union, the Transport and General Workers.

If the explanation is correct, the present industrial crisis is not the ideal time in which to be considering long-term changes in the role of the trade unions and in the collective bargaining system.

Yet the impact of the strikes on the public, however short-lived they prove to be, is such that either the present Government or its successor will be obliged to tackle these basic issues once again. Ironically enough, it is exactly 10 years ago that the Labour Government introduced its White Paper, "In place of strife," partly in response to a number of crippling unofficial strikes in the motor industry.

Great damage

In the ensuing decade several things have happened. First, groups of employees have shown an increasing readiness to pursue their demands for a relative improvement in earnings in ways which cause considerable disruption to the community. The use of industrial muscle by the miners in 1972 and 1974 has proved infectious and the number of groups which are able to inflict great damage on the economy has grown.

In several cases the action has been initiated not by national union officials, but by local leaders.

Second, the methods used to make the action effective, especially picketing, have become more aggressive. Third, the improvement in plant-level industrial relations which the Donovan Commission called for in 1968, mainly through more effective grievance procedures, has not materialised. Unofficial strikes and other forms of unconstitutional behaviour are just as common as before. The TUC and individual trade unions have shown neither the will nor the ability to deal with the problem. In the meantime damaging inter-union rivalry continues.

It is arguable that public disquiet over these developments and trade unions' awareness of it—such that new legislation stands a better chance of success than the Tories' Industrial Relations Act of 1971. But what should such legislation aim to achieve?

One possibility is to restrict the right to strike, particularly in industries supplying essential products and services. This could take the form either of a statutory restriction on workers in certain sectors or of

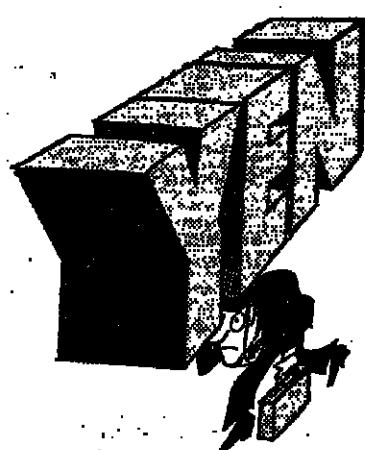
new powers for the Government to compel a continuance of work in situations where national emergency is threatened. Donovan and others have argued that U.S. experts with the Taft-Hartley Act is not encouraging and that in any case the Government has adequate powers to intervene. Nevertheless, the ease with which unexpected groups of workers can create national emergencies suggests that this possibility must be looked at again, perhaps in conjunction with new forms of determination in the sectors concerned.

A more fundamental proposal to make strikes more costly and more risky for those who participate in them. It seems absurd that the ability of employers to resist a strike should be weakened by the payment of tax-free benefits to strikers by the Government. But even if Mrs. Margaret Thatcher's suggestions on this point prove practical, they will not effect the short unconstituted stoppage. In any case other forms of sanction such as the go-slow or work-to-rule can often be more damaging than a strike. So the familiar question returns—can workers be forced to stick to procedure through legally binding agreements?

Donovan, reflecting the views of most industrial relations practitioners, believed that the introduction of the law would not lead to more orderly collective bargaining. It is certainly difficult to see how legally binding agreements—or anything else for that matter—could transform our poorly staffed and decentralised unions into disciplined industrial unions on the American or German model. Yet the Donovan Commission did say that if its proposed reforms did not reduce the number of unofficial strikes, the case for giving some legal support to procure agreements would have to be reconsidered; these would generally be in-plant or in-company agreements.

Unrealistic

It would be unrealistic to suppose that our industrial relations problems will be solved by the introduction of the law or by curbing national trade unions, whose leadership seems increasingly irrelevant to what is happening on the shop floor. While their influence on legislation and their legal immunities are excessive, the central issue is not so much trade union power as the prevalence of forms of behaviour which impose intolerable burdens on the community. It is this behaviour which has to be curbed.



A guide to businessmen's costs around the world

BY FINANCIAL TIMES CORRESPONDENTS

HOW PRICES COMPARE IN STERLING

City	Rate of Exchange	Index	B&B	Restaurant Dinner	House Wine	Whisky	Beer	Snack	5 km Taxi
Tokyo	Yen 370.625	133	41.01	26.98	8.09	2.70	1.48	6.75	2.70
Paris	Fr. 4.4675	132	56.10	14.17	2.95	2.01	1.53	2.95	2.36
Dubai	UAE Dirham 7.55	120	49.54	13.25	7.28	1.32	1.06	3.97	1.32
Brussels	B.Fr. 58.05	118	42.98	14.30	7.75	2.07	1.46	4.30	2.41
Abu Dhabi	UAE Dirham 7.55	116	47.68	11.92	6.62	1.06	1.06	3.05	0.93
Frankfurt	DM 3.7075	114	43.43	12.14	5.39	1.35	1.08	4.05	4.65
Manama (Bahrain)	Bahrain Dinar 0.755	110	48.34	9.93	3.97	1.14	0.79	3.97	1.32
Copenhagen	D.Kr. 10.27	109	43.21	13.25	4.77	1.17	1.36	3.89	2.92
Geneva	Sw.Fr. 3.20	103	40.62	9.37	2.81	3.13	0.94	3.75	3.13
Jeddah	Saudi Ryal 6.51	102	43.62	13.82	0.77	0.77	0.77	4.61	0.77
London	£	100	46.50	9.00	2.75	0.35	0.35	2.00	2.50
Kuwait	Kuwait Dinar 0.533	98	48.78	11.26	0.47	0.47	0.47	1.88	1.41
Nassau	B.S. 1.967	97	44.81	10.17	3.56	1.32	1.03	2.03	2.03
Amsterdam	Guilder 4.005	95	40.20	13.73	2.99	0.81	0.62	2.00	2.50
Stockholm	S.Kr. 8.5387	93	34.55	14.43	5.27	1.08	1.50	2.46	2.58
New York	\$1.967	92	37.72	7.69	2.31	1.02	0.76	2.54	2.03
Oso	N.Kr. 9.860	91	31.44	11.66	7.61	3.23	1.52	3.55	3.04
Lagos	Naira 1.2673	90	33.14	11.84	6.31	0.79	0.95	3.55	3.16
Houston	\$1.967	88	37.87	10.17	4.32	1.02	0.64	2.03	2.03
Rio de Janeiro	Cruzireiro 38.54	87	28.54	12.97	2.08	2.08	0.39	3.11	0.65
Vienna	Schilling 27.195	83	33.83	5.33	1.84	1.84	1.47	2.20	2.21
Luxembourg	L.Fr. 58.05	79	24.98	13.78	1.38	1.21	0.86	3.45	0.98
Taipei	New Taiwan 70.812	78	24.21	17.29	1.34	1.25	1.34	1.24	1.37
Los Angeles	\$1.967	77	36.48	7.12	2.03	0.81	0.64	1.78	1.53
Chicago	\$1.967	76	33.30	9.15	3.05	0.64	0.51	1.27	1.53
Khartoum	Sudanese £1.03	76	25.98	10.37	9.04	1.54	1.44	2.72	0.51
Helsinki	Markka 7.810	76	26.12	11.52	4.61	1.43	1.41	1.92	2.56
Atlanta	\$1.967	74	31.88	8.13	3.30	0.81	0.56	1.65	1.35
Amman	J.Dinar 0.573	72	33.68	4.36	1.40	0.96	0.52	2.00	0.70
Sydney	A\$1.7055	72	29.90	9.09	2.35	0.53	0.73	2.35	1.29
Moscow	Ruble 1.30	68	34.62	7.69	2.31	0.92	0.38	0.77	1.15
Montreal	CS\$3.065	68	25.25	10.84	2.82	1.98	0.65	1.52	2.60
Hong Kong	HK\$9.41	67	27.74	7.97	3.19	0.64	0.53	1.91	0.53

The index is based on the sterling cost of three night's bed and breakfast and two a la carte dinners in a first class/international category hotel, one dinner in an average restaurant, three bottles of house wine, one hotel lunch, two snack meals, one 5 km taxi journey, half a litre of beer and five whiskies. (There are anomalies relating to the availability of alcohol: soft drinks have been substituted for wine and spirits in Saudi Arabia and Kuwait, and for wine in Pakistan—the indices in these cases will be unavoidably low.)

In spite of changes in the sample size (46 this year, 61 last), and method, the consistency of the information is shown by comparing the rankings at the head and tail of the league table of the top 15 last year's are to be found there this time and the bottom 15 are similarly comparable. This year Tokyo has emerged as the most expensive business centre, slightly ahead of Paris. European and Middle Eastern cities are otherwise London's ranking has risen once again. There are only ten cities where the businessman can expect to pay more for a similar stay.

Exchange rates are as published in the Financial Times on November 14, 1978.

THE sharp contrast in the cost of living in the two dominant capitals of the Far East—Tokyo and Peking—is graphically revealed in the latest Financial Times survey of those costs likely to be incurred by the travelling businessman overseas.

The new survey of 66 business centres throughout the world, based on information collected from FT correspondents overseas and published in book form later this month, has seen Tokyo move up rapidly from the 15th most expensive city to the most expensive from the businessman's point of view.

The survey shows that to stay in Peking—which is likely to be visited by an increasing number of Western businessmen following the relaxation of trade barriers—is cheaper than any other major city in the world. This is the first year that the Chinese capital has been included in the survey.

London has continued to become a more expensive place for businessmen to stay, reflecting both a rise in hotel charges and the strengthening of

sterling. Two years ago, London was 38th in the world rankings and very much the "bargain basement" of Europe in terms of where it was cheapest for executives to carry out business.

Last year, however, the cost of staying in London rose sharply to push it into 14th place—just ahead of Tokyo—while this year it has just stayed outside the "top ten" but moved into 11th place.

The gap between the top and bottom of the price comparison table has again narrowed, in spite of a number of shufflings of individual positions. The index for each city is based on a three-night business trip, calculated on the cost of bed and breakfast in a first-class or international category hotel, with dinners, snacks, drinks, and taxis also taken into account.

This year the index ranged from 133 for Tokyo to 32 for Peking. Last year the spread was from 180 to 35 (Frankfurt to Nicosia) and the year before 232 to 58 (Abu Dhabi to Cyprus).

Some anomalies are bound to occur, if only because what is

described as "first-class" can differ markedly from country to country.

While the increase in sterling against the U.S. dollar has meant that such cities as New York are now relatively cheaper for the UK businessman, the increase in most continental currencies against sterling has had the reverse effect. Two years ago New York was the second most expensive city in the world when London was 38th. It is in 16th position this year.

The index is based on the assumption that the business traveller normally tries to find a similar standard of accommodation wherever he goes in the world, as well as tending to eat traditional European food and buying his usual drinks rather than experimenting with foreign delicacies. But such standardisation is not, of course, possible in practice. The restaurant meal quoted for Moscow as costing £7.69 is unlikely to be the same standard as the £14.17 meal in a Paris restaurant; nor is the

of doing business still vary substantially in different parts of the world. When compiling the guide FT correspondents were asked to provide background information on the customs about which the international traveller should be fully aware.

Most people are by now conscious of the extra cost involved in staying in Middle Eastern countries, where the Moslem religion has strict rules on eating and drinking habits. The perils of disobeying local laws concerning drink have been well publicised and are likely to act as a greater deterrent than fear of offending religious and cultural mores.

In less developed Middle Eastern and African countries, especially in areas outside the main cities, businessmen are usually advised not to flaunt their affluence, especially large foreign cars. For women business travellers the potential hazards are more numerous, with dress a particular problem. In some countries, for example, women executives

travelling alone could face difficulties getting a taxi or hiring a car.

If, however, businessmen from overseas want to come to Britain to transact business they should be aware that apart from our own social customs—they could make substantial cost savings by staying in Birmingham, which is 49th in our survey and where the cost of staying is about half what it is in London.

"Living Costs Overseas—A Guide for Businessmen" is published this month by the Financial Times, price £40. It includes both short and long stay expenses, giving detailed costs of accommodation, domestic help, transport and communications, consumer goods and entertainment as well as general information on business centres in the world. It also provides an index of weekly and daily costs exclusive of accommodation.

Copies from the Financial Times, Book Sales Department, Munster House, Arthur Street, London EC2A 9AX.

The Japanese trade surplus

THE ANNOUNCEMENT by the Japanese Government last Friday, that its policy of voluntary restraint on exports would lapse at the end of March, was played down by officials in Tokyo, as well as by their counterparts in Washington, but for somewhat different reasons. The Japanese Ministry of International Trade and Industry (MITI) took the view that the upward movement of the Yen had already proved so effective in curbing exports that the voluntary restraint programme had ceased to play a meaningful role. U.S. officials say that they have never had much faith in the voluntary restraint of exports, but continue to believe that an increase in Japanese imports is the right way to tackle Japan's structural trade surplus.

Revaluation

On the first point, it is certainly a fact that the revaluation of the Yen has been biting into Japan's export performance since the middle of last year. While the trade surplus remains very high in dollar terms, it has started to fall in both volume and Yen terms. In the second quarter of last year export volume was down 2.7 per cent on the corresponding period of 1977, and in the following quarter by 3.8 per cent. For the current fiscal year, as a whole, ending in March, Tokyo expects the Yen value of exports to be below the 1977 level. Yet doubts remain over the significance of the announcement from MITI. Japanese officials point out that the voluntary restraint pledge was never intended to extend beyond the current fiscal year, but in that case why is it necessary to announce the end of it now?

Within the broad umbrella of the voluntary restraint programme, exports of a number of sensitive products such as cars, television sets, ships, steel and ball-bearings are limited in particular overseas markets in

Europe and the U.S. by sectoral agreements.

The British government has long felt that the UK is a particularly vulnerable market for certain Japanese exports, and the question which may legitimately be asked is whether the advance warning of the end of the general export restraint scheme heralds a corresponding change in these sectoral agreements.

On the import front, the Japanese government has certainly taken some steps to rectify the situation, but it is difficult to say that these steps are yet adequate. In the latter part of last year, the government announced a \$4bn emergency import programme, but it is already admitted that this target will not be met by the end of the fiscal year.

At the same time, the Japanese Government announced last September a \$6.7bn economic package designed to boost domestic consumption. Yet the fact is that the current year's growth is falling substantially below the 7 per cent target to which the Government pledged itself in Bonn last summer, while for the new fiscal year the growth target is officially set at only 6.3 per cent, and most experienced observers in Japan regard this as an optimistic overstatement, and expect that it may well turn out as low as 5 per cent. It is not easy to reconcile the low-growth target with the forecast that the current account surplus will decline from ¥2,700bn in fiscal 1978 to ¥1,400bn in 1979.

All the recent increase in Japan's exports has been to the fast growing economies of South East Asia, like Korea and Hong Kong, and it is looking to the new market opening up in China. But it is clear that the long-standing Japanese trade surplus is not about to disappear unless the government takes more energetic measures to stimulate growth at home, and may well give rise to further tensions with the older industrialised countries.

MEN AND MATTERS

Outlook: minus two degrees.

Americans are as obsessive about the weather as we on this side of the Atlantic. Their radio and TV weathermen become celebrities—one New York exponent changed his name to Storm Field as an aid to stardom. So the sad fate of "Doctor" Bob Harris has caused, as one might say, a deep depression.

Doctor Bob arrived on the bigtime weather scene two years ago. He was hired by WCBS, an all-news around-the-clock station, as resident expert. His easy, mellow style and highly accurate forecasting won such renown that last July he was hired by the New York Times to handle its weather column. In commending him to the readers, the paper stressed not merely his degree in meteorology, but his PhD in geophysics.

Last week, Doctor Bob was unmasked: he does not have any degrees at all. He was summarily dismissed by both the New York Times and WCBS.

The sorry tale has some disturbing implications for the professional weather forecaster. Doctor Bob got it right at least as often as they did.

Spice island

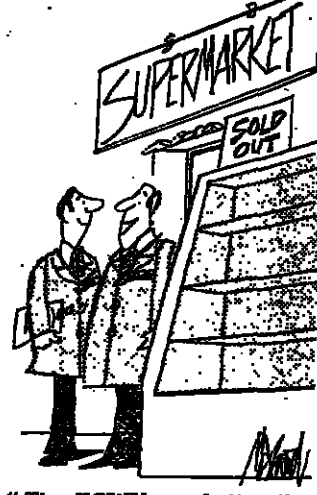
A London tour operator has appealed to trading standards officials, because the Greek National Tourist Office in Regent Street has put a ban on exhibiting his publicity brochures for being "too frank".

The company, Sunmed, mentioned that there are parts of Greece where nude bathing is popular; but its worst offence was in describing the island of Mykonos as being a favourite destination for homosexuals.

For the national tourist office, that was too much. The Sunmed brochures have gone under the counter, to be produced only when specifically asked for.

Sunmed, which deems itself eminently respectable, has asked the Westminster standards department for a ruling. Head-scratching has resulted: whereas action can be blithely embarked upon against companies telling lies, there is some doubt about the legal position when somebody allegedly suffers discriminations for honesty.

Sunmed's managing director, Victor Fatah, put his case to me: "The truth may put some people off, but in the end if they find they are dealing with an honest company they come back."



"The TGWU is better than advertising."

to be equated with anti-semitism.

Wiesenthal is in Britain seeking support for his campaign against the proposed enactment of the Statute of Limitations in West Germany. This will end trials against former Nazis. He claims that he fears the Eastern Bloc will publish, right after the enactment, lists of war criminals they will claim to have just found. "This will be a welcome diversion from their own problems, and will create unrest in the West, where millions were victims of the Nazis or had some relative who was."

Wiesenthal forecasts gloomily: "The whole world could be affected by such accusations."

Erse entry

Money is at the root of the efforts begun last week by Sinn Fein to put up candidates at the impending elections to the European Parliament. The party, descendant of the political arm of the IRA, is appealing for funds from the Community to fight constituencies both in the Irish Republic and Northern Ireland. But it must find some way around the ruling that such funds are only available to parties with at least one representative in the current European Parliament.

A 30-strong delegation, led by Sinn Fein president Tomas Macgolla, has visited Strasbourg to press the case for money. It also distributed a leaflet explaining its view of the EEC, which the party has estaginated in the past. A main plank is that all funds currently spent on the Common Agricultural Policy should be diverted to regional and social funds a point on which Sinn Fein might get embarrassing British support.

Under the tables?

If prizes were given to public relations persons who might have expressed their messages better, one would surely go to Glenda Ward, at the Aviemore Centre in the Highlands. She

is organising a rave-up for next Friday, which happens to be Australia Day—Glenda comes from Perth (the one Down Under).

"I wasn't expecting to find any other Australians when I arrived in Aviemore," she says in a handout. "But the place was crawling with them."

Better at home

A plaintive note reaches me from the offices of the Soviet News, ensconced in that haunt of the proletariat, South Kensington. It says that the bulletin, mouthpiece of the Soviet embassy, has not come out since November 28 "owing to an industrial dispute in which it is not directly involved."

Equally sad is an apology in the latest issue of Labour News, distributed late because of the rail strike and in truncated form because of problems with the printers.

One must say that Pravda never seems to have such troubles: there are ways in Moscow of making the comrades spread the word on time.

Nuclear notion

If the devil has the best tunes, the Left seems to come up with the best slogans. Something called the Big Red Diary 1979 (perverse), it is small and weekly and carries the message: "Better active today than radioactive tomorrow."

Knees up

In these difficult days, rest assured that the spirit of Merrie England is still being catered for. Yesterday in Blackpool, the 21st International Slipper Fair—a footwear trade show—introduced latest styles: among the cowboy boots from Spain and the feminine-fashion boots from everywhere, a Halifax firm proudly displays its line in clogs for Morris dancing teams.

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FINANCIAL TIMES SURVEY

Monday January 22 1979

مركز من التحليل

ARAB CONSTRUCTION

Construction spending in the Arab world is reaching a peak in real terms. But the size of the market remains colossal—as do the operating problems—and there is now a demand for more sophisticated construction work, which favours western and Japanese contractors

In Saudi Arabia Zahid Tractor gives you the best

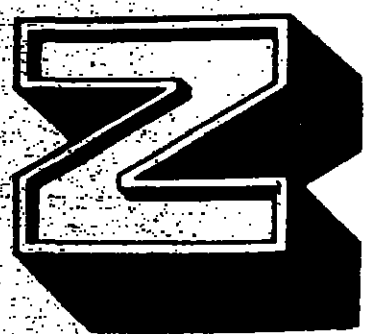
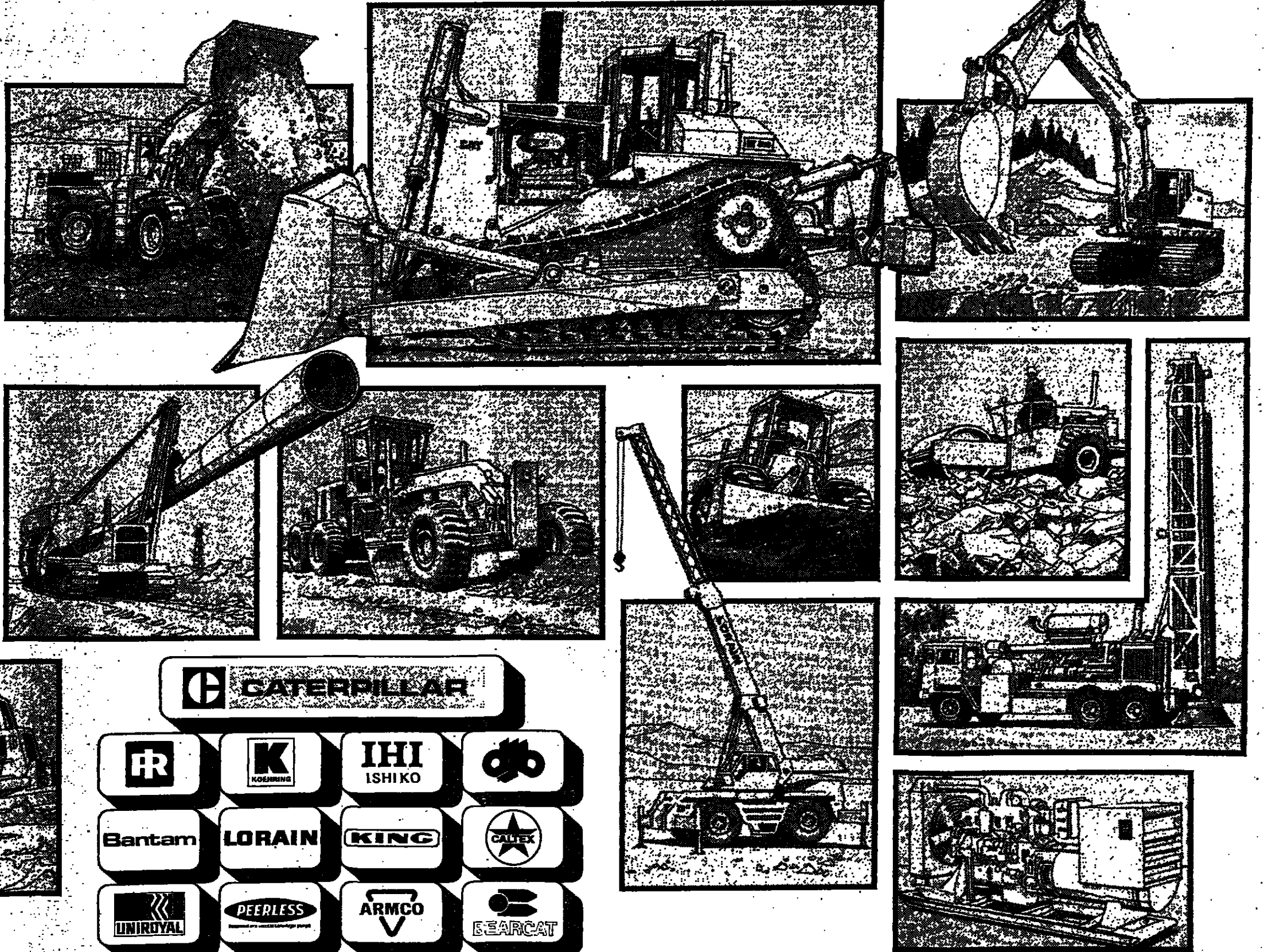
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ARAB CONSTRUCTION II

A big but demanding market

CONSTRUCTION IN the Arab world is no longer the explosively growing phenomenon that it was two to three years ago in the wake of the 1973-74 oil price rise. It is likely that public and private sector spending on construction rose only slightly last year and may in real terms, taking inflation into account, have declined.

In some parts of the Arab world contractors are seeing projects coming to an end, having difficulties finding new work and facing intensifying international and indigenous competition. But that does not mean that the construction boom is standing idle in the Middle East: some cities may now look more mature than they did two years ago, but others are still vast construction sites. The sheer volume of work in progress is colossal, according to one estimate — by Plantecon Overseas Research — public and private sector spending in the Arab world excluding the Maghreb, Sudan and the Yemens last year totalled nearly \$22bn. Saudi Arabia alone accounted for just over half this figure.

Spending is at a peak but the rate at which new contracts are being issued is — in the region

as a whole — slowing down. The Arab construction scene is changing. While the building boom in the smaller Gulf States has undoubtedly peaked, this has yet to happen in Saudi Arabia, where public and private spending increased last year by 14 per cent, according to Plantecon. Meanwhile, a construction boom is only just getting underway in North Yemen and Sudan.

Complex

As each State reaches a different stage of development the type of construction work it requires changes. Spending on basic infrastructure is slowing down in the Gulf States but is being partially replaced by technically more complex work in process plant of different kinds — in heavy industry or power stations or desalination plants. In Saudi Arabia some of the big contracts recently let or put out to tender are for such projects as the gas collection scheme in Eastern Province, the crude oil pipeline to cross the peninsula and a desalination/power generation complex for Jubail worth at least \$2bn. In North Yemen and Sudan, on the other hand, the construction

needs are still very basic: roads, airports, bridges, etc.

The construction boom has peaked in the Gulf States because governments virtually ran out of worthwhile projects, found the pressure of immigrant workers intolerable and found that their spending was fast catching up with or, as in the case of Oman at the entrance to the Gulf, overtaking their income. The resulting cutbacks and credit restrictions usually caused a slump in the property market, knocking the private sector construction boom on the head. So while Abu Dhabi, for instance, is spending more money than ever on its official development programme this year, it has also put a ceiling on future spending, said it will be commencing almost no new projects and has banned new private construction. Kuwait has cut its development budget by 1 per cent for the current year, a substantial drop taking inflation into account.

Saudi Arabia is different because the size of the country calls for a greater amount of infrastructure, while the financial resources are inevitably enormous. But even here there have been occasional moves to slow the rate of spending, while

there were cash flow problems which affected contractors for part of 1978 (due to lower than expected oil output), and projections drawn up by Plantecon show a small drop in construction spending (in fixed price terms) by 1981. Libya appears likely to follow much the same pattern, while Iraq, where expenditure is still short of income and needs are still substantial, could continue at a high level of activity for longer.

The boom was slower to get underway in the oil-exporting states and the volume of construction is necessarily much smaller, but the inflow of aid and, no less important, remittances by workers in the oil States are creating their own momentum. In fact construction spending in Jordan is estimated to have been more than twice as fast that of Saudi Arabia last year.

The change in the nature of the market has naturally affected the developed countries, whose construction companies set out for the Arab world in droves after 1973-74. Some of the British companies which did so well in parts of the Gulf — especially Dubai — may now be wishing they had also gone for the even more testing but more durable Saudi market. Some British companies are leaving the region altogether — indeed about 100 companies of different nationalities have lately left Abu Dhabi. As harbour building work begins to dry up, the Dutch, with their speciality dredging, are in some cases feeling the pinch. On the other hand West German and American companies, with their emphasis on high technology capital equipment, should benefit from the change of direction in the market.

Change

This change puts some limit on the market penetration both of indigenous Arab contractors — who receive favoured treatment in most States — and Far Eastern construction companies, other than the Japanese, since the South Koreans and Taiwanese have more experience in civil works contracts rather than high technology. However, contractors from these countries as well as from India and Pakistan are tackling electrification work in Saudi Arabia.

Because of their lower cost structure at home and the relative cheapness and Russian discipline of their labour, contractors from the Far East have made inroads into fields which western countries used to regard as their own preserves. There have been howls of anguish from western companies at the low bids often put in, but their is little evidence that, except in the case of the very occasional loss leader, such contractors are taken for their foreign exchange earnings rather than for profit. "Do the Koreans make money? Sure, some of them make money," says James Nelson vice president of Bank of America in charge of construction finance in Europe, the Middle East and Africa. "It may sometimes seem a lousy price to a Western company, but it's often satisfactory in the context of a Korean contractor's cost structure," he says.

With competition so intense, Arab countries are in many cases in an even stronger position to take an exacting line with contractors, and some — such as Saudi Arabia and Algeria — are becoming capable, hard driving construction managers. Saudi Arabia tends to farm out the handling of its biggest contracts to large companies — such as Bechtel, Aramco, Parsons and Fluor — who provide a surrogate bureaucracy and tend to take the lowest bid only when it meets the specifications.

The Saudi Government itself, while not switching away in principle from either the fixed price contract or the acceptance of the lowest bid — principles almost universal in the region — is now inclined to hold on to the two or three lowest bidders' bid bonds and then negotiate a yet lower price, so that, as James Nelson reports from Jeddah, the final price bears little resemblance to the original bid. The fixed price contract is of course far easier to administer than any cost plus arrangements, and whether the client is well served by the lowest bid principle depends to a large extent on how well the consulting engineers drew up the specifications.

If the Arab construction world is becoming more stable — "mature" is not a word one can easily use about a dynamic field like construction — the region is still very difficult to

STRUCTURE OF THE CONSTRUCTION MARKETS IN 12 SELECTED MIDDLE EAST ECONOMIES 1977 AND 1978 PUBLIC AND PRIVATE SECTOR EXPENDITURE, IN CURRENT \$m, FOR ESTIMATED.

Country	1977			1978			Total change 1977-78
	Construction Equipment Used + Service	Construction Material	Other Expenditure (design, labour profits-etc.)	Construction Material	Other Expenditure (design, labour profits-etc.)	Total Expenditure	
Bahrain	44	14	58	120	142	230	0.2
Egypt	148	42	190	690	823	1213	44
Iran	490	185	675	2440	2190	5305	164
Iraq	305	61	366	1150	1234	2750	225
Jordan	27	8	35	135	150	320	114
Kuwait	86	21	107	425	488	1020	1020
Libya	189	64	253	720	490	1433	562
Oman	66	13	79	214	196	483	322
Qatar	53	10	63	210	188	461	2095
Saudi Arabia	841	357	1198	4290	4902	10390	1200
Syria	54	18	72	243	315	639	79
UAR	225	65	290	780	890	1960	2379
TOTAL	2328	858	3386	11417	11982	26785	237

Plantecon define "construction expenditure" as containing "bricks and mortar" only, ie abstracting mechanical, (petro) chemical, electrical, etc., installations. Thus the monetary assessment describes (simplified), the construction industry's total turnover in its widest sense.

Source: Plantecon Overseas (Research).

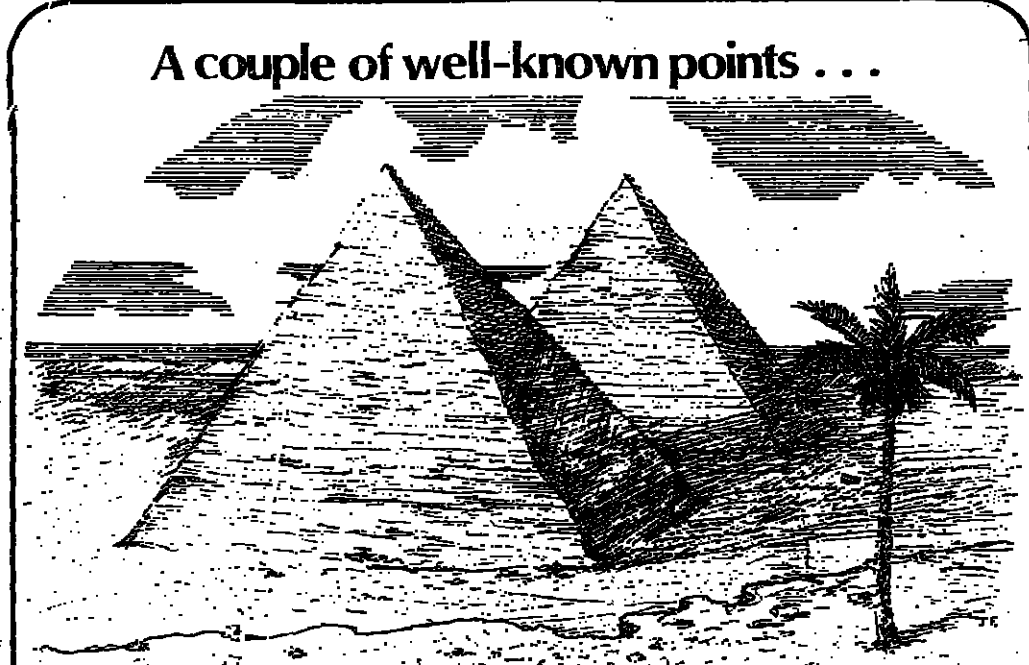
work in. The problems are changing, however: for example, port congestion, which once produced frightening uncertainty about supplies and costs, is almost everywhere a thing of the past. On the other hand manpower provides a continuing headache, especially in Saudi Arabia last year in the face of a clampdown on illegal immigrants, while there were also extended payment delays due to the Government's attempts to rein in bag spending to meet cash flow constraints. Contractors there are highly dependent on their banks' understanding. The relative size of Saudi mobilisation payments has become smaller. Sometimes contractors have suffered from the capricious exercise of officials' power, sometimes, in the case of a relatively small British company, from too low a capital base.

A further problem which has emerged in the past year or so is over foreign exchange. The fall in the U.S. dollar has led to the revaluation of the Saudi riyal and the Gulf currencies, but these currencies are, substantially devalued against the Deutsche Mark and the Japanese yen. Saudi contracts in particular are denominated in riyals, which has affected West German and Japanese contractors, while unforeseen foreign exchange fluctuations in general have eroded many contractors' profits.

It was possible to make very large profits in the initial boom provided the contractor was well organised and efficient. Now, according to James Nelson, the level of profitability is "decent" for the good operator. "The company that did well in 1974-75 was the company that was entirely self-sufficient, set up with its own labour supplies, spare parts and food, and with its own machine shops for making repairs," he says. The skills acquired then should stand such a company in good stead for the next few years.

Mr. Nelson believes that companies must be highly flexible in everything, from design to the source of supply, not necessarily automatically turning to their home base for procurement. "The successful company operating in the Middle East just has to think like a multinational, be globally minded — perhaps taking finance from one country, customers from another, labour from a third, raw materials from a fourth, depending on global market conditions."

James Buxton



A couple of well-known points . . .

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TALK OF increasing competition among international civil engineering contractors throughout the Arab world is not new, but the intensity with which the battle for business is now being conducted has taken many people by surprise.

In the space of 12 months, talk of the "threat" posed by contractors from South Korea, Japan and Taiwan, has given way to first-hand accounts of contracts lost to them. Relative newcomers to the region have apparently spared no expense or effort to pick up work previously considered beyond their capabilities — and while the better-established contractors attempt to extract comfort from their belief that the brass interlopers cannot be making any money, the new arrivals continue to clean-up.

Contractors are falling to win the type of work which, until recently, they may have been tempted to regard as their own, or at least as belonging to a small circle of specialist operators. The Dutch can speak of dredging contracts won by the Japanese, the British can tell of road or industrial plant projects snatched by the South Koreans, and the Americans, too, have seen work taken from under their noses.

Any conversation with a British contractor in the Middle East inevitably centres on the strength of the competition they now confront. His comments are usually tinged with a hint of desperation which comes from knowing that his company can build just as well, if not better, and can build as fast as any competitor — but that it is left hopelessly adrift when it comes to contract price.

Threat

The South Koreans — widely regarded as the major threat to the previous order — have consistently under-bidding on a wide range of works by anything up to 25 per cent. In some cases the gap is claimed to be even greater.

As their experience grows, the Koreans are beginning to take an interest in higher technology projects and are departing more regularly from the labour-intensive schemes which until recently have been their staple diet.

Names like Hyundai, Daelin and the Korea Overseas Construction Corporation have become as common on site boards as those of any of the other major civil engineers and many contractors, including some British, no longer bother

with the expensive business of bidding for work if they know a Far Eastern competitor is interested.

Now, the South Koreans seem as capable of tackling electrification programmes and oil storage plants as they do houses and sewerage projects.

The descriptions of army-type organisation and discipline are correct and few competitors have found it possible to criticise the standard and quality of their work, though recently there have been reports of some waning in enthusiasm for Korean contractors on the part of some clients.

The Koreans' competitors, with a fairly plentiful amount of wishful thinking thrown in, point out that the situation may soon change. They emphasise that much of the Asian's success stems from low labour costs and that as the final price heavy Korea itself improves, these will rise steadily and remove at least some of their competitive advantage.

In addition, other contractors point out that a fairly substantial development programme at home will mean that the South Koreans, in particular, will be less able to spare the construction capacity which until now has readily been sent abroad in search of foreign earnings and labour-consuming work.

But whatever happens, the Koreans' influence is already a major factor to be confronted. According to Mr. Michael Foster-Turner, project manager on Taylor Woodrow's Sheraton complex in Bahrain, the Koreans are winning substantial volumes of business and at prices which, he reckons, make profits impossible.

"We could do the jobs they are taking on just as quickly, just as well and at the same price, but we want to make money."

A lot of American consultants are moving into the region and favouring the Koreans, which also gives them a major boost," he says.

Still in Bahrain, Mr. James O'Sien of Higgs and Hill says the Koreans' programme of market penetration on the island has been impressive: "They took on the big dry dock scheme here to prove themselves and they put everything into it. They have not looked back since and now take on all types of work."

"They are apparently just as happy with smaller scale developments, such as apartment blocks, as they are with ports and harbour complexes." It would be wrong to assume

International competition

The East-West battle

PROSPECTS FOR CONSTRUCTION AND EQUIPMENT SALES IN SAUDI ARABIA AND THE GULF COUNTRIES

Item	Saudi Arabia		Five Arab Gulf states	
	1977	1981	1977	1981
Construction expenditure (public and private)	10,280	9,550	4,245	2,922
Total annual construction equipment market	1,198	1,368	710	582
Sales of new construction machinery	841	918	478	346
Parts and sales service	198	269	128	111
Used equipment sales	159	180	104	95

Source: Plantecon (Overseas) Research.

that the South Koreans and their other Far Eastern neighbours are the only major force in Middle East construction which are worth mentioning. The truth is that the region has attracted the biggest and the best of the international civil engineering and building world and few of the major industrialised nations are not substantially represented.

Some Western countries have long historical connections with particular Arab nations — for example, the British in the Gulf, the Americans in Saudi Arabia and the French in North Africa.

But other countries without traditionally strong links have moved in successfully on the strength of their abilities. The West German contractors, regarded as excellent organisers, have capitalised on their close relationships with banking and industry to win some sizeable contracts, such as the Philip Holzmann-led consortium to enlarge Saudi's Dammam port complex. The Germans are also strongly represented in Libya and Iraq.

Among other nationalities ranking high in the Middle East civil engineering league are the Yugoslavs (notably Energo-projekt which ranks among the world's top ten contractors); the Greeks (Joanna and Paraskevides and Archirodon); the Italians (Grand du Lavori and Lenzi); and the Dutch (Bos Kalis and HBG).

Some of the British contractors — in the readiness to form consortia or joint ventures — operations in order to undertake some of the largest contracts. Leaders in this type of approach must be the Americans, who have concentrated an enormous proportion of their total Middle East construction effort in the biggest single market of them all — Saudi Arabia.

The American companies are able to offer the widest range of design, engineering and construction skills and all-important finance. One joint venture alone in Saudi involves names such as Bechtel, Fluor, Hudson, McDermott and Ralph M. Parsons.

Capacity

"Brown and Root is working on port construction in Iraq and Bechtel is managing a natural gas plant construction programme in Algeria."

As a measure of the Americans' capacity it was announced just before Christmas that SABCO, the Saudi Arabian subsidiary of Bechtel, is to manage the construction of the \$1.5bn Riyadh international airport. SABCO will work with three American architects in developing the 300 sq km site. U.S. contracting companies also have the advantage of being able to deal with very complex process plant which can generate further substantial volumes of work for related

American suppliers — for example, the \$200m oil refinery contract at Jubail, in Saudi's Eastern Province, for Texaco and Socar.

But whichever nationality is involved, all the contractors in the Middle East are faced with the same long, often daunting, list of problems which makes up work in the Middle East region. Apart from some tough physical conditions in areas offering poor communications and unreliable material supplies, the contractor has to confront problems of inflation, slow payments, sub-contractor risks and all the other financial, logistical and political difficulties which may or may not arise.

Mr. James Nelson, a London-based vice-president of the Bank of America who has in the past spelled out the numerous problems associated with contracting in the Middle East, recently came up with yet another potential pitfall for contractors — foreign exchange.

Mr. Nelson, whose remarks were principally directed at the Saudi market, said that recent discussions about the upheavals in world money markets and the weakness of the dollar, has focused many people's attention on the problem of foreign exchange risk but that, while observers had been preoccupied with the position of the dollar, the decline of the Saudi riyal had received less attention.

Mr. Nelson pointed out that the riyal had devalued by more than 10 per cent against the Deutschmark and by 20 per cent against the Japanese yen in the past 12 months.

Mr. Nelson tells horrifying stories of contractors who have lost up to half their anticipated profits on a contract because of their failure to cover themselves against the foreign exchange risk. His advice, consider potential shifts in foreign currency rates when preparing a bid and choose a way of hedging against foreign exchange risks, possibly by arranging a forward purchase arrangement with a bank which effectively fixes the relevant exchange rates.

Michael Cassell

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ARAB CONSTRUCTION III

Manpower

No bed of roses

THE LABOUR market for all grades of construction workers in the Middle East is not what it was three or four years ago, with the vast influx of foreign nationals required to participate in construction projects leveling off in the wake of lower output.

countries are not relying so heavily on Western skilled labour. Neither are Western expatriates quite so keen to seek employment in the region as they were at the start of the construction boom.

The harsh environment and well-publicised social restrictions in certain countries have discouraged substantial numbers of people from participating in Middle East contracts, as has the realisation that high salaries are more than ever being offset by high living costs and substantial inflation.

better conditions when they take up employment overseas. The Indian Government, perhaps more than any other, has now imposed fairly strict conditions (when compared with the free market in Indian labour which went before) that employers must meet if they expect to receive permission to export labour.

are also contractually bound to give three months' notice of redundancy; they must also provide 30 days a year paid leave and offer free medical services and furnished living accommodation to each and every one of their employees.

will simply cut off the chance of employment to large numbers of people with no other prospect of work and there is already evidence that contractors in the Gulf have been turning to alternative labour markets, such as Pakistan, Sri Lanka and Bangladesh.

quick profits for themselves, often leaving large numbers of defenceless and naive immigrant workers without the work they were promised and with no way of getting home.

Koreans, in particular, have an immense reserve of skilled manpower available for work in the Middle East. Skilled workers have been trained through Government work and the army itself which produces about 5,000 trained workers each year.

The extent to which many Arab nations still rely on immigrant workers of one type or another is easily shown. Dubai is beginning to gather large numbers of Asians who are forming shanty towns of their own. Abu Dhabi has about 40,000 labourers working in the construction industry and the population of the United Arab Emirates as a whole now comprises 80 per cent UAE citizens and 20 per cent foreigners.

abilities There is no doubt that the abilities and level of training of personnel in many Arab states has risen significantly in the past five years, but most still cannot provide from within their own boundaries the scale or quality of manpower resources required and, in fact, actually choose in many cases to continue to rely on the experience and expertise of outsiders.

IF BRITISH contractors have made a name for themselves throughout the Arab world, the efforts of UK consultants associated with construction work have been no less successful or noticeable.

particularly well in the United Arab Emirates and Saudi Arabia and have more recently become a significant force in Iraq—where at least two dozen architectural practices are now working.

consultancy services and, as with the contractors again, competition is now at its peak. French and Italian consultants have been very successful in North African markets because of their traditional links in the region, while U.S. consultants predominate in Saudi Arabia, specialising in defence projects, oil-associated developments and multi-discipline package deals, such as international airport design—for example, the \$1.5bn Riyadh airport contract which has just gone to SABCO, a Bechtel subsidiary.

because it is continually changing. In particular, each client country is different, not only in stability, language, customs and receptiveness to British people, but in the conditions of contract it imposes, methods of negotiating and appointment, costs of working, credit-worthiness, visa restrictions and credit controls.

opportunities, especially where British expertise in design and operation was divided between different organisations.

and countries, such as Japan, give more positive and direct aid to their consultants than Britain.

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ARAB CONSTRUCTION IV

The UK contribution

Top export field

THOUGH THERE seems little doubt that British building and civil engineering contractors are finding life in the Gulf tougher than ever before, the region continues to provide them with the bulk of their overseas work.

In the 12 months ending in March, 1978, British construction companies won overseas work valued at about £1,920m, of which no less than £1,020m came from the markets of the Middle East.

Only five years ago before, the value of orders carried out in the region by UK contractors was running at around £75m a year.

The value of work actually carried out in the Middle East reached £802m, half of all overseas contracts undertaken. At the same time, the value of work outstanding in the region stood at £1,180m, representing a major slice of the £2.3bn of all overseas work in hand at the end of March.

Contractors have been successful in winning work in virtually all of the Gulf states, from Iraq, Bahrain and Qatar to the United Arab Emirates, North and South Yemen, the Sudan and Saudi Arabia. For the British, the main markets have been the UAE, Saudi Arabia and (in the non-Arab world) Iran and while the volume of business in some states has been declining, compensation has come in the shape of new opportunities in countries like Egypt.

A brief list of some of the latest announcements of work involving UK companies and Middle East clients is sufficient to dispel any theories that the pipeline of work has slowed to a trickle.

John Laing International has recently won a £12.5m contract with the Arab Organisation for Industrialisation to build a helicopter production plant near Cairo; G. and T. Construction, the joint venture operation between Tarmac International

and the Dubai-based Ghurair Group has won a £7.5m road contract in Abu Dhabi, while Bovis has beaten the field to win a £15m contract from the Saudi Arabian Government for schools and warehousing in Riyadh.

Other contracts involving UK companies and already underway include the \$35m Cairo Plaza project, being built (under a management fee agreement) by Higgs and Hill; the \$20m Sheraton Hotel and shopping complex in Bahrain, being built by Taylor Woodrow; and the \$50m Dubai Corniche development, involving Cementation International, which is working jointly with local contractor, Galadari.

Laing Wimpey Alireza is engaged on the £224m project to develop the Saudi Arabian civil airport at Abha; Costain International and Amey Roadstone are building a new airport at Hodeidah in the Yemen Arab Republic and Bernard Sulley has won a £14m contract to build a residential complex for the Abu Dhabi National Oil Company.

Tarmac is making progress on its ambitious Suez tunnel project while all the other familiar names in British civil engineering, such as Taylor Woodrow, Mowlem, Lesser, Douglas, Fairclough, Bechtel and Marples Ridgway are engaged on projects of varying types and sizes throughout the Arab world and its neighbouring countries.

The story is not, however, one of never-ending success. From time to time, the pitfalls of working under a different set of rules for various types of client and in markets which have little or nothing in common with the UK are dramatically highlighted.

Nowhere are conditions more challenging and potentially troublesome than in the largest Middle East market of them all, Saudi Arabia. Until

now, many British contractors have shied away from too heavy a commitment in the country which overshadows all its neighbours in terms of proposed development expenditure or alternatively have found it impossible to put a foot in the door—and recent events will not have encouraged many of them to step up their efforts to penetrate this particular market.

Streeters of Godalming, the Surrey-based specialist in sewerage works and pipeline laying, is the latest British contractor to withdraw from Saudi after a period of troubled trading. A hoped-for profit centre instead provided substantial losses and the company decided to leave Saudi to other competitors.

Earlier in the year, Higgs and Hill said it intended to pull out of Saudi Arabia and the Middle East-based civil engineering group, Bryant Holdings, was forced to announce provisions of over £2m against losses incurred by its associate operation, Al-Azhar Bryant Construction Company.

Bryant, which encountered problems over communications and staff mobility, says it will be thinking very hard before it takes on any more work in Saudi Arabia.

The fact is, however, that the contractor wishing to work in the Middle East now has fewer options than in the past. Contracts are still available throughout the region and in numbers which underline the scarcity of domestic work confronting UK contractors, but projects are not as plentiful as two or three years ago and there are now many more competitors in the field.

For the moment, the situation for UK contractors is not generally too acute. Many of the largest operators are working on contracts which have some time to run before completion and some—as already mentioned—are managing to win new and sizeable projects which will ensure their presence in the region for the medium-term future.

But there is no doubt that the prospects for most contractors are now much less buoyant with client nations continuing to restrain construction expenditure in the wake of the spending boom which characterised the early part of the 1970s.

Whether or not the UK contractors continue to notch up the contract successes of the past will depend on their ability to anticipate changing trends in the pattern of demand, to maintain competitive tender prices and to complete work on schedule. The goodwill which has, in the past, served them so well in parts of the Middle East will not alone be sufficient to preserve for contractors the market shares to which they have become accustomed.

serious competitors for work which, until recently, they would not have been able to contemplate. This type of competition is not as yet presenting any major problems for the large international contractors—though a growing proportion of smaller scale building work may in future go this way—but the growth of domestic contractors in Arab markets will certainly not help at a time when international competition has also reached a new peak.

The state of the market in the United Arab Emirates provides a good example of how circumstances have changed. A traditionally good market for British construction, the Emirates today represent a somewhat different picture, with much of the basic civil engineering work completed or well under way and the opportunities for new work of any consequence thin on the ground.

In Dubai, for example, where British companies have long been favoured, the level of construction work has now levelled out. Development expenditure is set to decline over the next couple of years and contractors are having to look hard for new contracts as they conclude existing projects.

Mr. Samir Said, of Costain International in Dubai, says that for the past two or three years many contractors have treated states such as Dubai and Abu Dhabi as "bonanza towns" without going their "homework".

While the work was plentiful they managed to pick up contracts and justify their presence here, but now the market is jaded and many of them are sitting around waiting to pick up any crumbs which come their way. Some are, without question, taking on work which is unprofitable simply in order to maintain their operations here.

In Dubai, the type of infrastructure which was unthinkable five years ago has now been provided and you almost have the feeling you are in Europe. British contractors still have the lion's share of what work is available here and the close bond with the British remains, although I am afraid it is now being very heavily strained.

Contractors are also having to face the prospect of local contracting operations becoming

Michael Cassell

Contract terms

The labyrinth of conditions

IN RECENT years concern at the onerous contract conditions imposed on contractors by Arab countries has become a familiar theme, underlining both the seriousness of the problems and the difficulties experienced by contractors in trying to resolve them. Figures recently collected by the Fédération Internationale Européenne de la Construction provide an interesting comparison between the values of building and civil engineering work undertaken by European contractors in the year 1977 (the latest available).

Although UK contractors gained the greatest amount of work on a world-wide basis—close on \$4bn—they came a poor third with \$683m of work in the Middle East. Here West Germany took the largest share, \$1.9bn out of a world-wide total of \$3.7bn. Italy took just over \$1bn out of a world-wide total of \$3.7bn. While the above figures indicate that UK contractors have a better spread of business than their Continental counterparts, they may also be an indication of a greater reluctance to accept the onerous liabilities imposed on them by the terms of contracts in the Middle East.

Although the international conditions approved by the Fédération Internationale des Ingénieurs-Conseils (FIDIC) often form the basis for such contracts, they may be drastically altered to suit the convenience of employers. A prime area of concern is the continuing insistence on fixed-price contracts in most countries, and local rates of inflation cause considerable difficulties. The provision of schemes offered by some national export credit insurance organisations—such as the Export Credits Guarantee Department (ECGD) in the UK and the Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE) in France—is generally restricted to domestic inflation and is therefore inapplicable to most contractors.

It is sometimes possible to minimise the effects of local inflation by denominating the contract, in say, sterling or dollars, but the uncertainties of exchange rate fluctuations still leave the contractor exposed. This risk increases if, for example, the contractor is unable to match the currency of payment to his sub-contractors that in which he himself is not.

Other employers may, however, insist that contracts be denominated in local currency. Experience among contractors does vary and some have successfully negotiated escalation clauses or cost-plus contracts; for example, escalation was allowed in the Dubai Dry Dock contract undertaken by Costain and Taylor Woodrow. Much seems to depend on the strength of the links established by the contractor in the particular

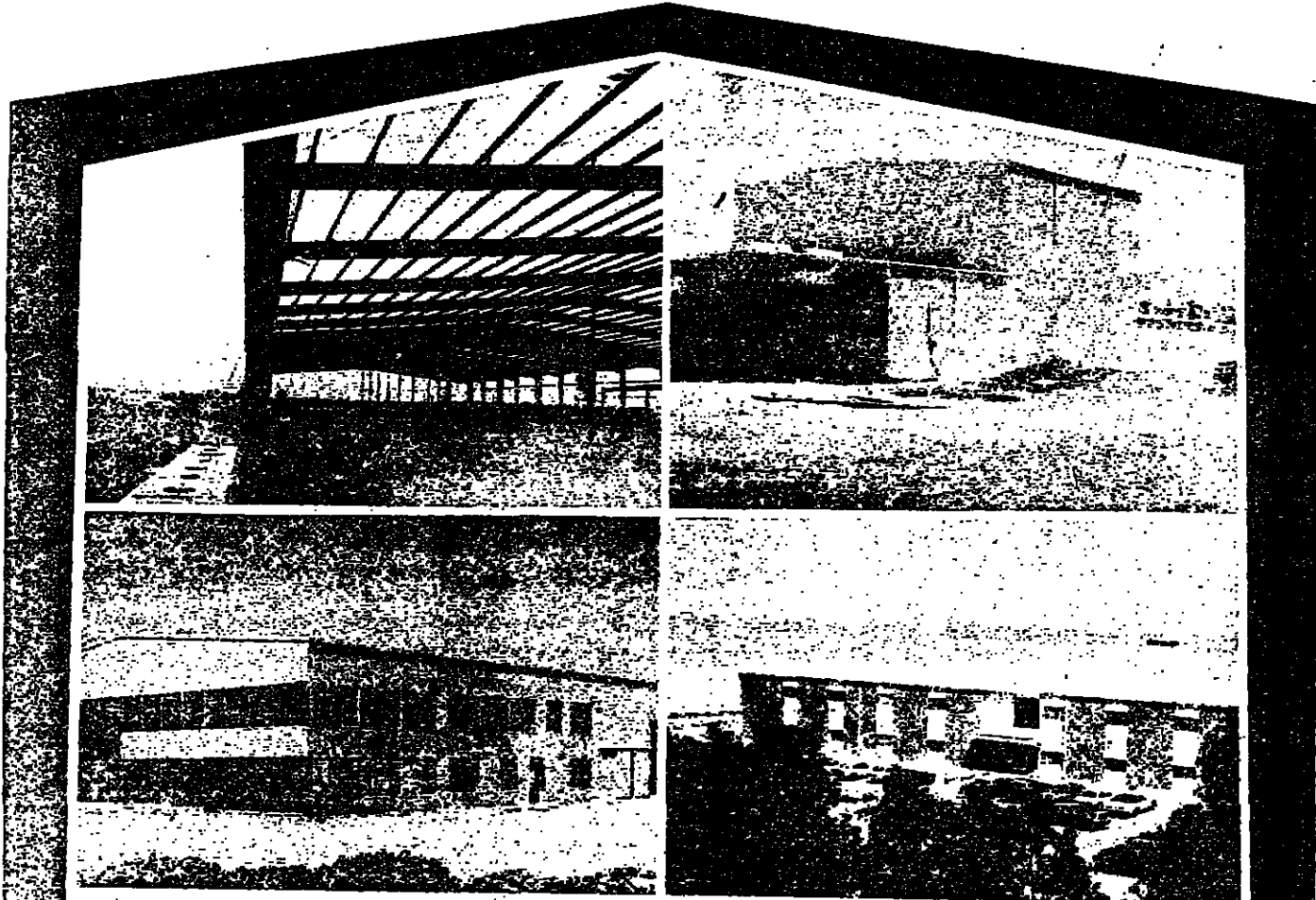
country. Even so, it can be difficult to establish an agreed and accurate set of indices. In some fields, such as dredging, contracts based on bills of quantities with unit rates are more common. Contractors are now more or less likely to get away with the ploy of relying on variation orders to make up for previous underestimates of cost.

After the problem of costing, perhaps the greatest difficulty facing contractors is funding the difference between theory and practice in the matter of payment. Generally the terms of payment set out in Arab contracts, including the forms of security, theoretically provide the contractor with a reasonable cash flow. For mobilisation, a down-payment of 10 per cent or 20 per cent of contract value is usual; some employers now prefer to supply the contractor with equipment in lieu of payment, although its quality cannot always be relied upon.

In the course of work, contracts generally provide payments against shipment or monthly progress certificates, subject only to the deduction of a pro-rata proportion of the advance payment and of a retention. Whether the employer is paying cash or receiving credit should make little difference to the contractor, by the nature of most supplier or buyer credit mechanisms.

In few countries, however, in the Middle East and North Africa is the administration equal to its task. In some instances, such as in Algeria, bureaucratic delays seem designed to ration scarce foreign exchange. Not even Saudi Arabia is free of these problems—a recent budgetary reallocation virtually deprived the Ministry of Agriculture and Water of funds and one UK contractor faces an unexpected deficit of many millions of pounds. This problem is compounded by the fact that Saudi contracts do not allow a contractor the right to stop work.

Although ECGD protects UK exporters against proven default, and against a governmental embargo on the remittance of foreign exchange, such as exists in Sudan, it is reluctant to countenance an open-ended aggregation of debt as in the Saudi case. Furthermore, administrative delays in certifying payment, make it difficult for contractors to establish a proven debt. In such circumstances the benefits of ECGD cover are less certain and indeed most UK contractors do not insure with ECGD, except to gain access thereby to the preferential fixed interest rates for credit contracts or to the bond facilities. ECGD is, however, expected shortly to issue its credit insurance policy in a revised form, and it remains to



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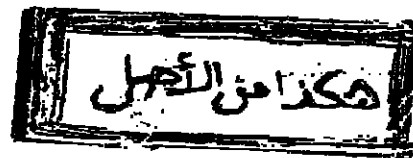
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Saudi Arabia

Bidding becomes more competitive

LAST YEAR was not an easy one for contractors in Saudi Arabia. New regulations on the employment of immigrant workers and a resurgence of the debate on women's labour severely disrupted the labour market at mid-year. At the same time, budgetary restraints announced at the beginning of June to curb inflation and eliminate waste in government spending further held up payments on Government contracts beyond the usual delays of bureaucratic bottlenecks and holidays.

With Government contracts—and these make up the bulk of the industry's work valued last year at SR60bn—the difference between a profit and a hefty loss depends now not so much on access to supplies but on disciplined skilled labour and an understanding banker. "We used to tell contractors they needed three months to cover to operate here," one Citibank expert said in Jeddah recently. "We now say six months at the least."

While the Government continued to award major contracts in 1978, and the non-oil sector of GDP registered a growth rate of 17 per cent, contractors noted an increasing toughness on the Government's part in the tender negotiations and in releasing payments.

In fact, Saudi Arabia has proved much more thirsty for oil revenue than most analysts predicted, and low oil production levels in the first three quarters of the year led to a slashing of a quarter of the beginning of a financial year in June. The Finance Minister told ministries they could not spend more than 70 per cent of their allocations without referring back to his ministry. With as much as half of the project budgets of most ministries taken up in recurrent payments, there was a slowdown in the signing of new contracts and some scaling back of exist-

ing ones. Bankers even report Finance Ministry moves to introduce a monthly budgetary system for ministries.

Contractors' horror stories abound—three Italian road building companies say they have not been paid since last April—but a sense of Government priorities has, at least emerged. The Government appears keen to get all construction for the major Five-Year Plan projects started before the end of the period in April, while crucial ancillary construction is being scaled down or held back.

Awarded

Of the major projects awarded in 1978, the most vital are for infrastructure for the heavy industry on which the kingdom's future prosperity is seen to rest—namely, the 9400m crude pipeline and \$100m NGL line across the Arabian peninsula to Abu Dhabi and work for the gas collection system, which was given unprecedented access in the autumn to state reserves; defence projects, particularly a \$413m telecommunications system for the National Guard, awarded to Cable and Wireless of the UK, and a \$113m training academy, also for the National Guard, let to a German company; projects of measurable social benefit, including a \$344m television station to a German contractor and regional sports complexes to German and Swedish companies; \$211m public hospitals to an Italian contractor; more than \$2bn of housing to Korean companies; and port improvement, including a SR671m ship-repair yard at Jeddah to a Saudi-British-Swiss consortium.

In contracting procedure, the major change in 1978 has occurred in the advance or mobilisation payment. The original 20 per cent payment—

double the practice in most other countries—has become a maximum rather than a rule. At the same time, the 20 per cent extra work required from the contractor in the contract terms has not been included in the budget and the contractor may sometimes have to wait until completion for the payment. In fact, contractors report that the whole business has become even more competitive. All but the largest Government contracts are fixed-price, but the final awards now tend to bear little relation to the bids. More and more, ministries are holding on to two or three of the lowest bid bonds (one per cent of contract price) and bargaining for a reduction in the price.

Bids for the vast new campus for Riyadh University were opened at the end of May, but although a consortium of Bouygues of France and Blout of Alabama put in a low bid of \$3.4bn, reported close to the consultants' estimate, the contract has still not been awarded and a Saudi-British joint venture and a German consortium are said to be still in the running.

Although the chances of the Government calling either the 10 per cent performance bond or the advance payment guarantee are minimal—no performance bond has even been held since 1975—payments delays and international currency fluctuations, which have particularly affected West German and Japanese companies, have made contractors acutely conscious of the need for cover.

Some of the perils of Government contracting were shown in mid-November, when King Khaled returned from convalescence abroad. The sudden announcement of a three-day holiday, so soon after the Pilgrimage break, took the Saudi Arabian Monetary Agency by

surprise. Already disorganised by its move to Riyadh at the end of the previous month, SAMA refused to pay out claims for deposits from local banks and stopped issuing contract payments. The demand for riyals pushed interest rates up from 7½ per cent to 60 per cent for overnight money and from 3½ per cent to 35 per cent for three-month riyals.

By mid-December, interest rates had subsided and payments to contractors resumed, but the whole affair could only confirm the doubts of foreign banks over the excessive risks of Saudi contracting. And with local banks mainly occupied with trade financing, many contractors are obliged to resort to the international capital market both for the bonding and operations finance.

Hampered

In this respect, British and U.S. companies may be worse off than their counterparts in West Germany and certainly than their Far East competitors. They are also hampered in that, apart from the large companies like Laing, Wimpey and Tarmac International, already well established, they suffer from a narrow asset base. A small British company, Streeters of Godalming, ran into difficulties in the summer when searching for a second project to make up probable losses on a difficult and disagreeable job—sewage pipe laying in downtown Jeddah. When the second project was scaled back for budgetary reasons, Streeters was obliged to hand over its Saudi operation to its Saudi partner. Another medium-size firm, Higgs and Hill, had to pull out entirely

when a hotel contract was re-scheduled. Against this, foreign contractors can count a radical improvement in the supply of cement and construction materials and, after the panic of the summer clampdown, in the labour market.

With the clearing of the congestion at the ports through 1977 and early 1978, cement has become much cheaper with a ready supply of cheap skilled labour, particularly South Korea and Taiwan, have done extremely well. Korean contractors have profited from access to Government guarantees and domestic experience of infrastructure construction—Korea is on its fourth five-year plan. But it is the quality of the labour that is crucial. Eighty per cent of the 30,000 Koreans in Saudi Arabia have done military service, and their discipline and conscientiousness remains a continual source of wonder to Saudis and foreigners.

While two years ago the more complex construction jobs involving sophisticated plant and machinery might have been awarded to companies from the industrial world, Korean, Taiwanese, Indian and Pakistani companies have shown themselves capable of undertaking basic infrastructure work as roads, bridges and housing gets under way. Korean companies in particular are looking to the future, and the Korean Overseas Construction Corporation, which represents the Korean industry, has set up an office in London to look for European joint ven-

ture partners for more complex projects. Hyundai is already involved in providing the labour element in a consortium led by Kraftwerk Union bidding for the Al-Khobar 11 desalination plant.

Apart from the \$2bn housing work, which includes provision of services (in contrast to the almost certainly disastrous Jeddah and Dammam housing programme now under construction by French and Dutch companies), the Koreans are also picking up a great deal of work from the U.S. Corps of Engineers, which is managing construction for the Ministry of Defence and Aviation and the National Guard. The corps has about \$5bn in work under contract and another \$4bn approved chiefly in housing at the military cities at Tabuk and Hafr Al-Baten, which together with its supply port at Ras Mishab, to which four berths will be added this year, may eventually cost over \$25bn.

While contractors agree there is little or no delay in awards or payments for defence-related work—and that includes a great deal of school and hospital building—other big projects in 1979 may experience some delay. The causeway to Bahrain, for example, seems to have been relegated to a fairly low priority. Other major projects expected shortly are the terminal buildings at Riyadh airport, Riyadh University, a palace complex in the Eastern Province called Sunrise City and towards the end of the year a great deal of infrastructure work at Jubail and Yanbu. At the industrial complexes, many of the housing and site clearing projects have been broken down to give opportunities to Saudi contractors as part

of the Government policy, in Prince Fahd's words, "of encouraging Saudi contractors by giving them precedence in the execution of Government work." At Jubail, for example, companies 90-100 per cent Saudi owned received SR 176m in awards in the first eight months of last year. While Saudi companies may not be in the running for any of the major Royal Commission projects, for example Jubail Airport, or for the heavy industrial facilities still some way away, they are likely to find increasing opportunities in support construction.

In fact, 1978 has seen consolidation of the local industry after the housing boom three years ago. Fierce competition has driven many of the smaller contractors out of business, and construction standards have improved out of recognition. Speculative building has all but stopped in Jeddah—the Mayor has vowed action on the 30,000 empty apartments in the city—but housing and office construction is going on apace in Riyadh and the Eastern Province and around the military cities. With the prospect of an increasing role for Saudi companies, many foreign companies here feel the "finalists" are already established, and any new contractor outside high technology areas is likely to find it an uphill struggle. Competent Saudi agents or joint venture partners are proving harder to find, and any newcomer would be likely to lose out on its first contract. Although there might be better prospects on subsequent orders, losses in Saudi Arabia tend to be as large as possible profits.

James Buchan

Labyrinth

CONTINUED FROM PREVIOUS PAGE

be seen whether the new cover will prove more attractive to contractors.

The provision of bonds or bank guarantees remains a major problem for many UK contractors. Such guarantees may be required first to support bids, for which the bond percentages range from 1 per cent for Government contracts in Saudi Arabia to 5 per cent in Iraq, secondly as security against advance payments, which are generally around 20 per cent of contract value, and thirdly to guarantee performance of the contract as a whole, for which bonds of 5 per cent or 10 per cent of contract value are most common. Bonds to secure the release of retention monies or to guarantee warranty obligations may also be required. In the Middle East, such guarantees are provided almost exclusively by banks, which issue them only against the security of the counter-indemnity from the contractor or another acceptable third party.

But since the asset bases of many companies have not increased at the same rate as contract values in the Middle East, contractors have found it increasingly difficult, without outside support, to obtain adequate bonding facilities from their banks. Such support has, however, been forthcoming in the UK from ECGD, which is prepared to take a necessarily more generous view of a contractor's balance sheet and his ability to perform the contract. The exporter's counter-indemnity is given to ECGD, which issues its own indemnity to the bank which is thus enabled in turn to issue the bond.

This support facility is, however, available only for cash contracts with Government buyers, with a minimum contract value of £500,000; it is not available for contracts on credit terms, such as are commonly found in Algeria, Egypt and parts of the Gulf. Contractors also complain, operating as they do on the slimmest of margins, at the cost of bond support, which is 1.25 per cent per

annum on the bond amount, plus the cost of the basic ECGD credit insurance which is a prerequisite.

Additional risk, however, lies in the wording of such bonds, which in the Middle East are almost invariably encashable "on demand" and without contestation, irrespective therefore of the performance of the contractor. Although the risk of a wholesale calling of the bonds must be slight, the well-known example being that of Colonel Gaddafi in Libya in 1969—there is evidence that employers in the Middle East are increasingly aware of the power of the "on demand" bond as a bargaining weapon in any contractual dispute.

Protection

Most export credit schemes now offer protection against the "unfair" calling of such "on demand" bonds—the ECGD scheme for example costs 0.50 per cent per annum on the bond value, with underlying credit insurance again being a prerequisite—but the value of the cover is difficult to assess in any dispute over the contractor's performance. Lloyd's Underwriters offer similar cover to contractors of all nationalities, but their policies provide for reference of disputes to independent arbitration in London.

In the few cases where UK exporters have challenged the calling of an "on demand" bond, they have done so by obtaining an injunction against the UK bank preventing it from fulfilling its counter-guarantee to the local bank which issued the bond. The cases of Edward Owen Engineering in Libya and R. D. Harbottle in Egypt are two prime examples in recent years. In each case, however, the banks successfully appealed against the injunction, which now can only be regarded as a delaying tactic.

In fact one result has been that since November, 1978, no UK bank has been able to counter-guarantee any Libyan bank, as the Libyan Government has specified a counter-guaran-

tee wording that seeks to exclude the effect of any injunction or garnishee order issued by a UK court, thus imposing a condition with which no UK bank can comply. They have therefore been forced either to follow the example of American banks (which are not permitted by U.S. law to issue bonds) and issue stand-by letters of credit, or in one instance to involve an intermediate bank outside the U.K.

Further risk, and an additional strain on bonding facilities, results from the practice of many countries, notably Syria, which specify either a very long (say ten years) or indefinite validity for bonds, irrespective of any expiry date stated therein. Similar liability periods may be imposed by laws of Egypt and Saudi Arabia for the design and safety of construction work as a whole.

Where disputes arise, contractors face certain difficulties as contracts in the Middle East are subject to both local law and local arbitration. Few contractors, for example, feel at ease with the Muslim Shariah Law under which the Saudi Grievance Board operates, although its decisions have generally been regarded as equitable. Another difficulty lies in the Kuwaiti Code of Civil Procedure, which provides that arbitration awards should be made within a three-month period, unless the parties agree to an extension; at least one UK exporter has found himself time-barred, with his Kuwaiti employer refusing an extension.

There are two continuing features of contracting in the Arab World which compound all these problems. First, in order to cope with the vast size and complexity of major projects, for which the management capability is still rarely found in the Middle East, it has been found necessary to form consortia or joint ventures, which in themselves, imposed on their constituent members joint and several liability for the total project.

UK contractors, with some notable exceptions, have generally been either unwilling or unable to accept such risks as the insolvency of their partners or their failure to perform. Although ECGD introduced two schemes intended to cover these risks—project participants' insolvency cover for contracts in excess of £50m, neither has yet been used, being regarded as inadequate in scope and too expensive.

Secondly (and associated with the first point), it is frequently necessary or expedient to form a local company in partnership with a local contractor or investor. Where the UK company has a minority shareholding or otherwise lacks effective control, it not only runs all the risks implicit in being controlled by a partner who is likely to place his own national interest first, but it is deprived of all ECGD's protective facilities as a result. Whether ECGD is eventually able to compromise with such seemingly inevitable developments of nationalistic tendencies remains to be seen.

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ARAB CONSTRUCTION VI

Algeria

Major energy projects

ALGERIA AND Europe are destined to become important trading partners. The many major agreements to import Algerian natural gas that European countries have signed in the last year ensure that by 1985 Algeria will be one of Europe's main energy suppliers.

The significance of this development has not been lost on many European contractors who, despite the reputed difficulty of the market and the pre-conception that only the French can do business there, have been quick to recognise Algeria's potential. Many, like their Japanese and U.S. counterparts, are attracted by a market which is growing while other Middle East markets may have peaked.

Algeria is the tenth largest country in the world and bigger than Saudi Arabia. It has a population of 17m, oil, minerals and the world's fourth largest natural gas reserves. Its development programme is ambitious, providing opportunities in almost every sector, and it has a high annual investment rate.

Local state companies are able to do much of the basic construction work and like to supply materials to foreign companies and to work with them where possible. But they turn to foreign companies for expertise in advanced technology, such as that used in the huge natural gas liquefaction plants being built on the Mediterranean at Arzew and Sidkha.

Most investment—and the biggest projects—are in the oil and gas industry. American and Japanese companies whose Governments are able to provide the large amounts of finance required for these projects, are most active here, and it is unlikely that European companies will rival their predominance. The U.S. Export-Import Bank (Eximbank) has shown strong interest in Algeria in the past year, providing loans worth about \$500m, one of which enabled Fluor, a newcomer to Algeria, to win the \$336m contract to construct the Al-Rar gas recycling plant. Another big contract in this sector, worth about \$822m, has just been awarded to Japan's Ishikawajima-Harima Heavy Industries (IHI) and C. Itoh for a 4m-tonnes-a-year liquefied petroleum gas (LPG) plant at Arzew.

Algeria, having built the first major LNG plant, Arzew 1, opened in February. But the strong financial backing from Canada's Export Development Corporation undoubtedly played a part.

Provision of finance is a crucial factor in winning contracts in Algeria whose oil revenues are not alone enough to pay for all development. Revenues should gradually increase now that LNG is being supplied to the U.S. from Arzew 1, but they are not expected to be substantial until about 1984.

The sector of the oil and gas industry in which European firms have had most success is in pipeline construction. This is a major item in Algeria, because the oil and gas fields are so far from the coast. The Dutch firm Napac, a member of the Bos Kallis Westminster Group, last year won two contracts, worth a total of about \$200m, to build two pipelines from the Hassi Kmeil gas field to Arzew.

dependence can be mutually beneficial, and it is no accident that many Italian companies, especially ENI subsidiaries, have won contracts in the past two years to build textile plants, chemical plants and houses. Fiat is interested in the proposed Oran car plant, and Pirelli, with West Germany's Krupp, has signed a provisional agreement to build a tyre plant at Bouira for the state hydrocarbons concern Sonatrach.

West Germany is now Algeria's second most important supplier after France, and its position is bound to strengthen now that Deutsche BP has joined those West German companies who have contracted to buy Algerian gas. Algeria, perhaps more than most developing countries, prefers to buy where it can sell, so it will be correspondingly keener to look to West Germany.

West German companies are most active in the mechanical industry, where they have a virtual monopoly. The last important contract in this sector to go to a West German concern was awarded in 1978 to Liebherr for a construction equipment manufacturing plant at Ain Smara, but there were many earlier ones. More recently Demag, in a consortium with Japan's Kawasaki Heavy Industries and C. Itoh, won the contract to extend the El Hadjar steelworks.

The steel and construction materials industries now receive the next biggest slices of investment, after the oil and gas industry. There are two major steel projects—the Jijel steel works, involving a port and railway and a larger works planned, possibly at La Macta, for which Nippon Steel and Bechtel are doing studies. When these projects go ahead will depend largely on the availability of finance and on options in the next plan, since there is now considerable debate on whether more investment should be put

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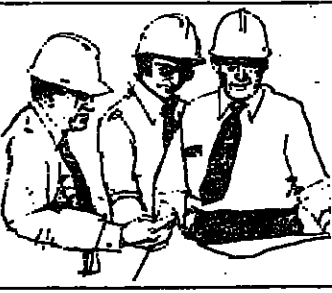
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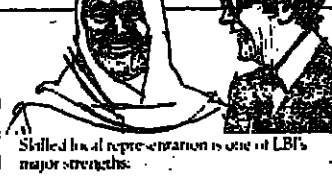
studies, interpretation of technical data, empathy with the non-banking experts involved in the project—our level of



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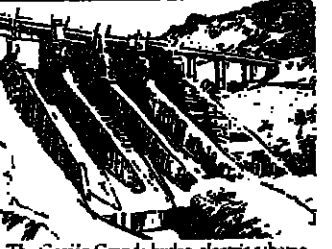
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Pipeline

Italy's state holding company Ente Nazionale Idrocarburi (ENI) is to build the 550km Algerian section of the huge Algeria-Italy natural gas pipeline. The decision, in October, 1977, to go ahead with this project, in itself a major feat of engineering, is perhaps the single most significant development in Algerian-European relations in the past two years. When completed in 1981, the pipeline will be an irrevocable link between the two states. It will supply not only Italy but other parts of Europe through a connection with the European supply network from north Italy. Saipem was awarded another contract at the same time, to build a 630km 30-inch diameter pipeline from the In Amenas field.

Italy has seen that this inter-

Libya

responsibilities or have been brought back to sort out the subsequent confusion.

The worker's takeover is now being viewed a little more optimistically by companies. The Export Credit Guarantee Department in Britain is becoming more sympathetic to contractors seeking backing as the extent of the takeover becomes apparent.

The financial future of Libya was also looking rosier by the end of 1978. In the first half of the year the world oil glut hit oil exports. In the first six months there was a total drop in Libyan oil exports of 45m barrels compared to the same period in 1977.

But company stockpiling to guard against the expected OPEC price rise at Abu Dhabi, the Saudi limitations on the sale of their light crude and, in the last quarter, the strikes sweeping through the Iranian oilfields pushed up demand for Libyan crude. As a long time OPEC hawk Libya was pleased, if not satisfied, by the 14.5 per cent price increase agreed in the immediate future. In the first 11 months of the year oil production was down 5.2 per cent on 1977.

Construction up to 1980 will be limited, as in the past, by incapacity to absorb investment. The total Libyan population, including foreign workers, is only 2.6m and, given the low average age, many of these have yet to join the labour force. In the immediate future, the emphasis is more likely to be on infrastructure as industrial and agricultural projects under construction are completed.

Most agricultural projects are already underway but only last July I.T.L.-Italiana Lavori and Food Development Corporation of the U.S. won a \$125m turnkey contract for well drilling and reclamation. In the past the Yugoslavs have been particularly successful in winning contracts in this sector.

In industry there has been a strong emphasis on food processing. Plans for heavy industrial development have been more tentative, and an agreement with Yugoslavia to build a large aluminium plant is still being discussed.

Bids for the \$1bn steel plant at Misratah have already been called for. Bidders for this plant, with a capacity of 1m tons a year, include two major Japanese consortia headed by Mitsui and Marubeni, and C. Itoh respectively. They face competition from West Germany and Austria.

Inevitably the oil industry and petrochemicals have rapidly expanded over the last decade. From no oil refineries in 1970, Libya now has six and another

three are planned. At Abu Kamash, West Germany is building a \$500m complex which is to export chemicals. A steel fertiliser plant has been completed at Mersa al-Brega and within three years an ethylene plant should be finished.

But over the last year the major contracts have been for infrastructural projects. Babcock AG and Budimex of Poland won a \$500m contract for the construction of Homs power station near Tripoli last January. Bharat Heavy Electricals (BHEL), of India, already building Tripoli West power station, has recently won another contract for a 600 MW power station at Zuara.

This Indian contract is part of a \$1.5bn deal between New Delhi and the Libyan Government. The Libyans have always favoured developing countries for such bilateral deals. Turkish companies are doing a number of contracts, although intermittent Turkish inability to pay for Libyan oil exports has sometimes bedevilled relations.

Italy remains the biggest source of exports to Libya but not, conceded Col. Gaddafi's one in-built advantage. The chronic shortages of labour, particularly skilled or semi-skilled, gives a big advantage to those who can bring their labour with them without greatly raising the price of contracts.

Such a labour shortage is typical of most of the Middle

Serious labour shortage

East oil producers, especially those with small populations. In Libya the shortage has been exacerbated over the last 18 months by the departure of so many Egyptians with the growth of hostility between Tripoli and Cairo.

There has been an influx of Tunisians to make up for this exodus, and last year the total inflow from Tunisia may have been as high as 50,000. Pakistanis and Indians have also been increasing in number. The shortage of unskilled labour can be solved. The persistent problem remains, however, of how to attract skilled workers or office staff and clerks. The number of Libyans suitable, trained and willing to work is limited by the low population. Indeed the situation is being made worse by the general call-up for the army of those under 35. Many will receive additional training in military service but this does not help them coping with the immediate problems.

The system of exemptions is proving inadequate, and Libyan technicians, scarce enough at the best of times, are tending to disappear into the army. Nevertheless, the element of "theatre" and confusion surrounding the new moves should not, conceded Col. Gaddafi's understandable aim, to prevent Libya becoming a state society with foreign labour doing the work, while Libyans do very little. Whether such a policy can be successful in a country where GNP per head is over \$4,000 is another matter.

Patrick Cockburn

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ARAB CONSTRUCTION VII

مركز من الأعمال

Kuwait

Still bustling

ALTHOUGH THE construction boom went bust in the lower Gulf, Kuwait, its economy propped up by huge oil revenues, still looks like one vast construction site, with work on some projects going on around the clock. There are some pessimists who predict an imminent slowdown, but most people directly involved in the industry see merely a levelling-off of activity or a temporary pause to catch up with and assess the economic impact of projects already under way.

Competition for contracts is fierce. The South Koreans, the people's favoured boys, beloved of both Kuwaiti clients and Western design consultants. Jealousies abound, the current rumour being that the Koreans' bids on projects are subsidised by the U.S. Government because they are the American "Foreign Legion", expected to protect the oilfields if anything untoward should occur. The Koreans blame competitors or the North Koreans for these stories.

UK construction contractors have been reluctant to get involved in work, although UK design consultants have been quite successful. Construction contracts are for fixed prices and require a 10 per cent performance bond which typically can be called almost on whim. According to one diplomat, however, a performance bond has only been forfeited once and that was when the contractor literally walked off the job and left the country.

"The Kuwaitis' attitude is that they are not interested in the bond. They are interested in getting the work done and they bend over backwards to get that taken care of," he said. This, he added, includes early payment to companies with cash flow difficulties and extension of deadlines. "The bottom line for them, is the job. They don't need any more money."

A UK consultant said that UK contractors seem to have an "irrational fear" of doing business in Kuwait. "I think they have had problems in other parts of the Middle East and look at standard agreements here and get scared off," he concluded.

The main problem for the contractor is the labour shortage. Since Kuwaitis form less than half the population, the Government is anxious to limit immigrant labour. Its policy is that the contractor on Government projects must import his labour, house it and send it home at the end of the contract.

The Koreans, with a large, skilled, well-organised and low-cost labour force, probably benefit most from this policy. They entered the market in 1976 and within two years had \$500m of contracts. There are now 17 Korean construction companies in Kuwait, with 9,500 workers. Last year they got \$500m in contracts.

Preference

But even the Koreans fear for the future of the international contractor in Kuwait. An official of the Korean trade mission said that the Kuwaiti Government is increasingly showing a preference for local over international contractors. A Kuwaiti architect said the Government is under pressure to push international contractors into associating with local concerns in joint ventures. "My prediction is that within two years it will be very hard for international contractors to come and work here using a Kuwaiti as just an agent," he said. "There will be some restrictions on that."

The Government's development budget for 1978-79 is KD 990m (close to \$1,350m), 1 per cent less than last year's KD 992m, but considerably less than the country's inflation rate of 30 per cent is taken into account. Only KD 68m of the budget is for new projects and 63 per cent of that is for the large power and desalination projects of the Ministry of Electricity and Water. The Kuwaitis are already the world's No. 3 per capita energy consumers.

The Electricity and Water Ministry is now reviewing bids for six of the eight turbines and six of the eight boilers for the Doha West power/desalination complex. Low bids total about

\$350m for the boilers and turbines. Civil work for the project is out to tender now. The tender for the first four of the 16 8m gallons/day (mgd) desalination units will be issued by February with the others coming at about six month intervals. Under tender now is a \$45m water pumping, blending and storage project to handle the water produced at Doha.

Also coming up this year is the Shuwaikh power and water production station project to replace most of the 25-year-old Shuwaikh facility. The old plant will get four steam turbines totalling 400MW and nine diesel units totalling 54 mgd. Tenders for the intake and discharge facilities are to be issued by May and tenders for the dismantling and demolition work by June. The turbines and boilers will be tendered by June and the civil work by February 1980.

The major projects department of the Ministry of Public Works is now considering bids for construction of Kuwait's answer to Disneyland, with an Italian group the low bidder at \$2.3m. Out for tender now is the State Mosque, estimated at KD12m. In a few months there will be a tender for the Ministry of Planning complex, estimated at KD7m.

The motorways section of the Ministry has under construction KD80m of Phase one of the Kuwait motorways system and expects to award another KD17m in contracts for the system this year. Deleuw Cather International of the U.S. has just submitted its design studies and conceptual design of the second phase of the project. It is divided into five parts, totalling 115km and estimated at \$375m. The Ministry will eventually be looking for designers for the separate parts.

The National Housing Authority (NHA), which provides housing for lower to average income Kuwaitis, will contract for construction of 5,000 to 6,000 units this year. About five months ago a Housing Ministry and NHA delegation visited the People's Republic of China and a few months later received a reciprocal Chinese delegation.

Under discussion is the possibility that the Chinese will construct a large housing project in Kuwait. According to one Kuwaiti official, "This is the first time they will do something for a country and get paid for it."

NHA has been reluctantly handling development of the idea of the new town of Subiya, to be situated near the Iraqi border. Frankland Cox Partnership of the UK has completed a final planning report on the town—which is eventually to house 500,000—and the concept has been approved by the Government as part of Kuwait's national planning strategy. However, the go-ahead on more detailed plans has so far not been given, causing some local urban planners to worry where Kuwait will house its burgeoning population, which is expected to at least double by the year 2000. Construction on the first district of the first phase of Subiya could conceivably start within 18 months of Government agency to handle the project.

Design

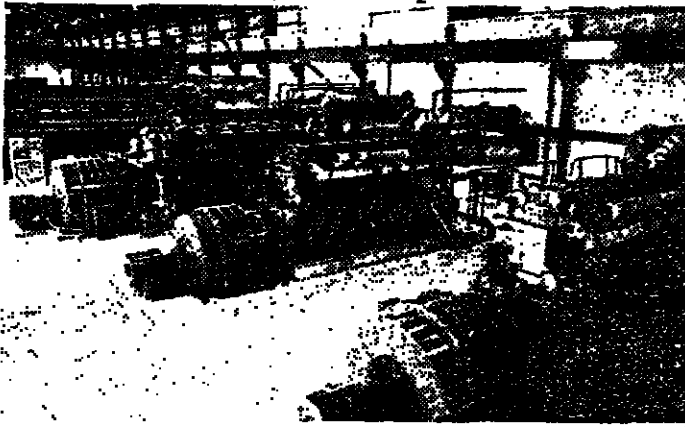
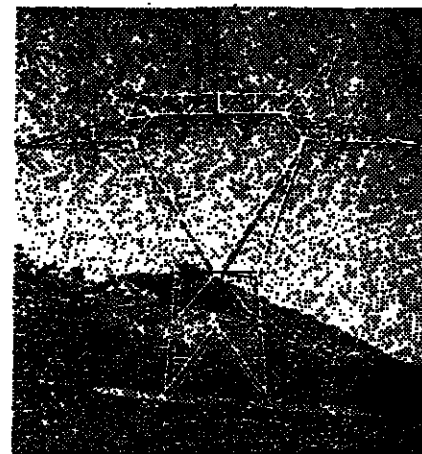
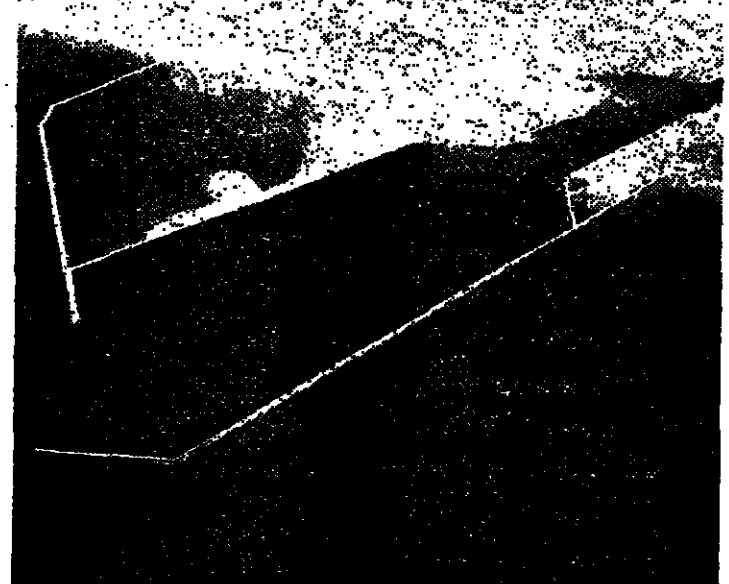
Kuwait's municipality, the land-use planning body for the country, is involved in several large urban development schemes plus a \$216m project to develop 21 KM of Kuwait City's waterfront.

Arthur Brinkson, Architects of Canada, has just signed a design contract for an urban centre at Fintas, halfway between Kuwait City and Ahmadi, which is to become the second largest urban centre after Kuwait City. Estimated construction cost is over \$1.2bn.

Probably the biggest project in the private sector is the \$252m residential/commercial complex designed by I. M. Pei and Partners of the U.S. with the Kuwaiti Engineer's Office here for the United Realty Company. There are numerous other residential and shop/office complexes under design, although one architect wonders what is going to happen when the 4,000 or so shops now under construction are completed.

Leslie Ann Mitchell

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Jordan

Activity at peak level

A CONTINUING high rate of demand for new housing and the implementation of most of the large scale development and infrastructural projects in the current five-year plan now dominate the construction scene in Jordan. As a result there is a rush to increase local cement production and a proliferation of new import-substitution industries catering for the still booming construction sector.

At the beginning of the fourth year of the five-year plan, Jordan is now almost at the peak implementation period for the plan's many large projects, notably expansion of the port of Aqaba, the potash and chemical fertiliser projects, the new Amman International Airport, the massive Jordan Valley agricultural and housing projects, expansion of phosphate production facilities, a series of road and public housing projects, the new Yarmouk University and the King Talal Dam water delivery system, to mention only the largest.

These Government-financed schemes, coupled with a continuing high demand for private housing, has caused demand far to outstrip production capacity of 500,000 tonnes the country's sole Portland cement plant at Fuhais, north west of Amman. Thus the Jordan Cement Factories Company has embarked on a two-stage expansion project, building two new 2,000 tone per day kilns to bring total capacity by 1982 to 1,850,000, which even then may not meet local demand.

In the next two years, the cement company, which enjoys a Government-subsidised monopoly on producing and importing cement, will import 600,000 tons of cement every year from Europe. Plans to build a second Portland cement plant in the south are approved but the limits a year plant is supposed to be geared exclusively to exports to Africa. Its detailed construction plans and schedule are not yet finalised, however.

The housing market continues to be the mainstay of most of the small and medium-scale Jordanian contractors. With its peculiar demographic structure, the young Jordanian population will require at least 20,000 new housing units per year for the next decade, most of which will be built by the private sector, although the semi-autonomous housing corporation is also now reaching its anticipated rate of building several thousand low and medium cost housing units every year.

Speculation

The feverish growth rate of the construction industry that was tied to the land speculation rush two and three years ago has started to fall slightly in what is, for the Middle East, a more normal growth pattern, but a high growth rate if compared to the rest of the world. Cement demand, for example, is rising at the rate of 15 per cent every year, while commercial bank credits to the construction and real estate sector continue to grow by at least 10 per cent every year, despite recent central bank monetary intervention to dampen loans to this sector. If the lending activity of the state-backed Housing Bank is computed into the sectoral distribution of bank credits, the real estate and construction sector accounts for a very high 40 per cent of all outstanding loans at the end of 1978.

Even without the Housing Bank's JD 60m in outstanding loans (about \$190m), construction and real estate account for 30 per cent of all commercial bank credits, a high amount by any standards.

The most significant trend within the housing business in Jordan today is the slow shift

from expensive de luxe quality housing into the more sought after low and medium cost dwelling. There is a surplus of de luxe housing in the capital of Amman, and a shortage of lower cost accommodation.

The continued high demand for housing has spawned a series of new local industries catering to the construction sector. Most notable of the new companies are ones to produce precast concrete housing elements, bathroom and kitchen tiles and porcelain and ceramic fixtures; aluminium windows and doorframes, wooden door sets, galvanised small-size steel pipes and plastic electric conduits, steel radiators and lime and silicate bricks. Also coming on to the scene soon are an aluminium extrusion plant, a glass plant, the new cement factory in the south and a wood factory in Aqaba using timber imported from Malaysia.

The relative drop in reliance on imported materials and the rise of local production has tended to help prices of construction materials to stabilise after four consecutive years of rising costs for contractors. In some cases, such as locally produced paints and tiles, prices have started to fall slightly in the face of increased output and competition.

Some new construction techniques and services are also gradually being introduced into the market, such as the use of precast concrete elements and prefabricated housing, tunnel-type framework building methods, especially for hotels and ready mixed concrete deliveries.

The cost of labour has also stabilised, and the shortages of skilled and engineering personnel of the past three years have largely disappeared. This has been due to inexorably rising wages—which have tripled in many cases—as well as the return of increasing numbers of Jordanians from the oil producing Gulf states because of the continued influx there of Asian labour and the slow drift of more and more construction industry personnel from the stagnant economy of the Israeli-occupied West Bank.

The relatively advanced state of the construction industry in Jordan, when compared to the rest of the Arab world, is demonstrated in the recent decision to make Jordan the

second Arab member of the Euro-International Committee for Concrete, the world's leading body for setting internationally recognised codes of practice for the construction industry. Lebanon and Iran are the other two Middle East members. This international link-up corresponds to the three-month-old drive in Jordan to formulate a whole series of national codes of practice for the construction and contracting professions. In most cases, local contractors adhere to the code of the Arab Federation of Engineers or European or American codes, although the need for a local set of guidelines is badly felt.

Several large contracts will be awarded in the coming two years, including the refinery for the potash project, the civil and mechanical works for the Aqaba chemical fertiliser plant, Yarmouk University's civil works, the Maqarim Dam civil and mechanical works and the remaining civil works for the new Amman Airport.

Share

If the pattern of recent years is any guide, companies from South Korea, Japan and Taiwan are expected to continue winning a big share of the contracting business in Jordan, especially for jobs with a pressing time element to them, while major international contractors are still needed to carry out the complex design and contracting work for these big jobs which Jordanian personnel have not had enough experience with to date.

The most recent big contract to go to a foreign contractor was the \$11m job for the civil works of the potash scheme, whose \$24m township project is being built by Shin Seung of South Korea. International contractors will find a more competitive market in Jordan in the next few years, with fewer of the jumbo contracts that have attracted contractors in the oil producing states of the Middle East in recent years. It looks as if the domestic housing market will offer more work for Jordanian firms in the next decade, with relatively less consulting or contracting services required from abroad.

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1976 (SR m.)	1977 (SR m.)	1976 (SR m.)	1977 (SR m.)	1976 (SR m.)	1977 (SR m.)
3,005	8,288	9,274	13,976	449	558
3,484	2,229	243	364	225	235
285	476	318	300		
3,038	3,842	152	259	224	323
101	233	400	478		
474	311				
10,387	15,379	10,387	15,379		
8,806	10,922	8,806	10,922		
19,193	26,301	19,193	26,301		

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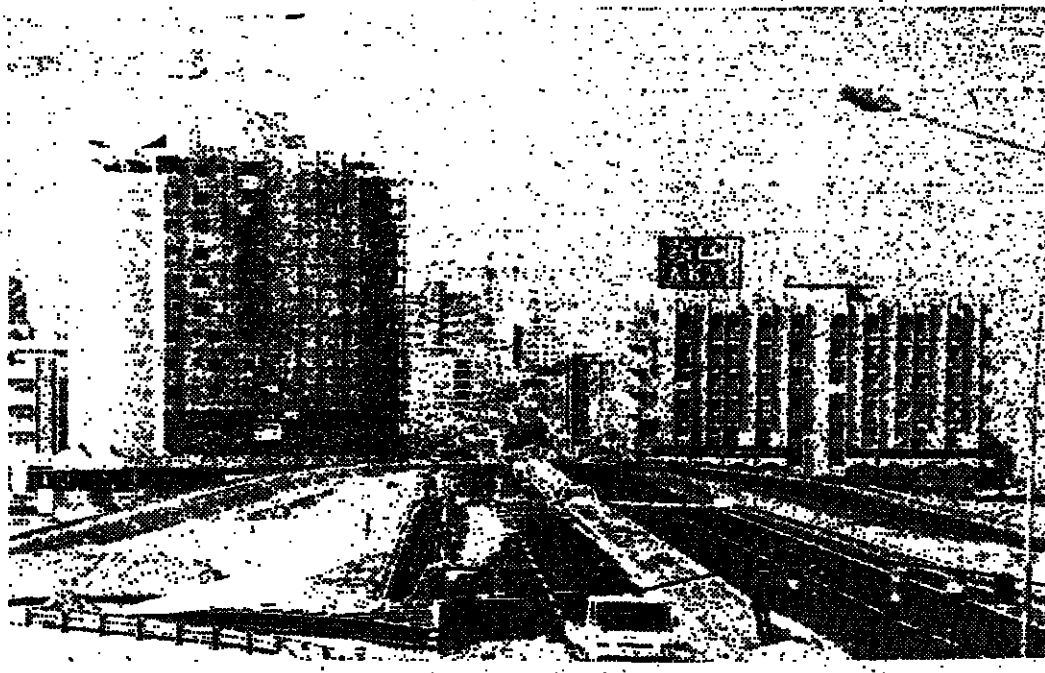
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ARAB CONSTRUCTION VIII

United Arab Emirates

A builder's dream no longer



Building work in progress on the approach road to the new bridge over Sharjah Creek

TWO YEARS ago the United Arab Emirates (UAE) was a builder's dreamland. Every week multi-million dollar contracts were announced as Federal and Emirate Government development budgets recorded annual growth rates of nearly 80 per cent. Compared with other—and sometimes wealthier—neighbouring countries the UAE offered a less hazardous environment commercially and a more pleasant place to work in for contractors who wanted a door to the large market of the Middle East.

Today many of those companies are now thinking of packing their bags. Some have already left, particularly those who came for one contract, looked around afterwards, saw no prospect of other work and headed for home. The reason is simple enough. The ports, airports, roads and large industrial installations are either already underway or completed.

In Dubai, which was once the top Arab market for British contractors, some £3.5bn of contracts in the town and at Jebel Ali are in progress, of which UK companies account for an estimated two-thirds. But many are due for completion within the next two years and many have already been completed.

The dry dock in Dubai is more or less ready to hand over, and its builders, a joint venture of Costain and Taylor Woodrow, are talking of a reduction in their presence from a peak of 250 British engineers to a meagre 55 by August next. Bernard Sunley, builders of the Dubai Trade Centre and other prestigious projects for the ruler, Sheikh Rashid, is also talking of a cutback in staff of 50 per cent of its former level. They are fortunate enough to have found work in the capital, Abu Dhabi.

British trade officials advise that unless an incoming contractor has at least one year's absolutely guaranteed work, then it may not be advisable to come to the UAE at all, for the northern emirates can offer little prospect of the traditional large-scale contracts as before. Even in Dubai when the Ruler recently offered a contract he was immediately besieged by work-hungry contractors. In the end he refused all offers, and gave the contract to a builder who was already engaged on another project, but where there was still a cash flow. In the emirates north of Dubai prospects seem even bleaker.

Decline

Another major reason for the decline in work prospects for contractors is that besides the completion or near completion of major contracts, attention has now switched to the richer capital, Abu Dhabi. Yet Abu Dhabi has always been a more difficult market to penetrate and work in than Dubai. In Dubai the British presence dates back over 15 years, and thus UK contractors were well placed when the boom began. Abu Dhabi is by comparison a late developer, and the competition more heated and internationally spread.

Partnership rules are also more stringent, for local trade laws dictate that each company should have at least a sponsor and that any partnership should be 51 per cent owned by Abu Dhabi nationals. The number of suitable partners for prestigious firms is also running out, for the best and most influential local businessmen have already been taken up.

The Abu Dhabi market has also suffered from the same cutbacks in development budgets. Three months ago the executive council of the local emirate Government declared a moratorium on any new projects. The major infrastructure project already underway, and any new project would have meant an increase in immigration, an undesirable happening, it was felt in a society where local Arabs constitute only 15 per cent of the population. The Government earmarked \$1.4bn to finish off existing projects last year and a further \$2bn this year.

Nor are federal ministries proving the bottomless source of work they were two years ago, though the occasional medium-sized contract can be expected to filter out. However, many contractors have made a conscious decision to steer away from work with the Government because of its tendency always to accept the lowest bid. Such contracts are also attracting bids from as many as 60 to 70 companies. As one major British builder put it: "I don't have the courage to bid in that kind of market. It usually turns out to be a waste of money and time because I know they are looking for a cheap job, not necessarily a quality job."

In recent months local and foreign contractors are "buying in" to provide themselves with work in what promises to be a lean period ahead in order to maintain a presence in Abu Dhabi. One local builder tells of his latest offer for a contract which turned out to be the second highest bid. "And I didn't even include any profit in my bid—just enough to pay my overheads during the work."

The potential of the private sector in Abu Dhabi has also been hit by the property market collapse, and the subsequent ban on building of office and residential construction which was imposed by the Abu Dhabi government last December. The measure is part of the package to aid the establishment of a Real Estate Development Bank, which despite its name aims to protect financially the owners of existing buildings. There are some 25,000 vacant flats in the city, and the new bank is designed to take over the majority of loans made to local investors by the commercial banks which have in the last year turned very sour.

ment that there will be no work in future. Others merely regard it as a formalisation of a de facto building ban, for no banks were taking on new property investments anyway.

The move by the Government has encouraged many of them to leave, mostly to Saudi Arabia. Already over 100 companies have left but, as economists point out, there were far too many contractors anyway in Abu Dhabi; and the situation where builders were building homes for other contractors workers to live in had to stop. Abu Dhabi already has over 2,500 registered contractors—one for every 100 residents.

Amid all this gloom, there are two promising avenues for work. One is the second major town in Abu Dhabi Emirate, Al Ain, where the building boom has yet even to slow down, let alone experience a slump as in other cities. Five major names in British consultancy are making a healthy living in this town of 60,000 people, supervising town road projects, sewerage developments and the like. On the horizon is a plan for another international airport there.

But the major client with vast potential is the Abu Dhabi National Oil Company (ADNOC), which is embarking

on a development programme, the price of which was last estimated at \$7bn. Most of the work in the future promises to centre around the development of the offshore Upper and Lower Zakum fields, which is going to cost around \$4.5bn. Ruweis, 100 miles to the west of the capital, is also the major development area in Abu Dhabi, where the Government is constructing a \$1.7bn LNG plant, a \$500m export refinery and associated port developments.

Any contractor lucky enough to become involved in these ADNOC programmes will tell you that out of all Abu Dhabi clients, the national oil company has proved the best. It is hardly surprising therefore that in view of the size of the contracts going the competition from international companies is extremely fierce.

ADNOC rarely puts out a contract to open tender, preferring to draw up a select list of contractors whose experience qualifies them for a bid. Getting on the list can often be an arduous task, for ADNOC is notorious for its secrecy. Bidders often have to rely on the local grapevine to find out their competitors and are never told why they did not succeed. Nor does the organisation ever

publicise its next project—one just gets to know what is coming. They don't normally advertise. They don't need to. They have enough people hammering at their doors anyway," commented one ADNOC contractor.

In the past too the company appears to have preferred to give an international favour to the contractors who are working for it. So far there are American, British, Italian, French, Greek, Indian, Korean and Japanese companies undertaking construction and consultancy work on the schemes.

Unlike other Abu Dhabi clients, ADNOC works to the rules of FIDIC (Fédération Internationale des Ingenieurs Conseils) in contract terms with few amendments, and though payments may be up to six weeks late, the delays are caused by the need for every contractor's payment. Companies have also praised ADNOC's thorough approach in checking out companies bidding for work. One consultant had an ADNOC management consultant come to his office to check his experience, going through preliminary drawings that had been drawn up in preparation of the bid, followed

by lengthy discussions on technical points.

Yet dealing with ADNOC is not as difficult as it is portrayed, say British trade officials. ADNOC officials are fairly accessible to those companies wanting to make their sales pitch, and they appear willing to listen to each one in turn. Too many companies expect to see the top management in ADNOC, and become discouraged that they are passed on to a lower ranking official.

British trade officials have also criticised UK companies for making poor representations—a comment which was passed on by ADNOC officials. The sales presentation often lacks simple elementary items such as brochures and a detailed description of previous work in the Middle East and the UAE. "They tend to think they are famous and that that is enough," said one official.

It is also advisable that a partnership with a well-known Abu Dhabi name be entered into rather than securing a sponsor. ADNOC will undoubtedly give preference to local joint ventures. Local trade regulations also require that the sponsor or partner must be of Abu Dhabi origin rather than from any other emirate. Many Dubai-based companies have found they have to start all over again in Abu Dhabi in securing partners and connections.

Yet British companies have already been able to secure a substantial amount of work on the ADNOC schemes. The local partnership of Mowlem, Quabeis Mowlem, is engaged on a \$13m wharf at Ruweis; British Steel Corporation is to supply the steel for the jetty; Sir Alexander Gibb and Partners are the consultants on the bulk carrier port; at Habshan Capper Neill is engaged on a small plant to process gas for use by Abu Dhabi power stations. In the Zakum field development scheme, Prosser, Carter and Rider are the consultants for communications network, and Ameron-Serete is working in conjunction with Foster Wheeler Francis on the offshore platforms. GEC is providing compressors and generating sets for the Zakum development.

Kathleen Bishtawi

Bahrain

Waiting for the causeway

WHEN THE idea of a causeway linking Saudi Arabia to Bahrain first became a serious topic of conversation in the island, one Western expatriate wittily dubbed it "the Channel Tunnel project of the Gulf." During 1978 this witticism seemed to contain more than a grain of truth. The issue date for tender documents was repeatedly mooted—and then postponed. The \$1bn project, which was to be financed entirely by Saudi Arabia, seemed to have slipped on Saudi's list of priorities.

But the present disturbances in Iran may concentrate the Saudi mind and remind it of the original security reasons for linking Bahrain to the mainland. The more optimistic commentators in Bahrain are now hoping that tender documents will be issued for pre-qualification bids, in February or March this year. This event would not only inspire international contractors capable of undertaking such a massive work, but also local Bahraini contractors who might expect to pick up a few crumbs from whichever consortium wins the contract.

Competent

There is, for example, a projected township of 5,000 workers associated with the 25 km causeway which a company such as Bahrain's United Building Factory, or some of the bigger Bahraini contractors, would be competent to complete. It is practical politics to expect that whichever international consortium wins the major causeway work will have found it expedient to involve Bahraini (and Saudi) sub-contractors or suppliers where feasible.

Design work for the causeway was completed by the Saudi-Danish consultants last year. There are to be 12 km of bridges, over 10 km of causeway, with a further 10 km of access roads in Bahrain and 40 km of access roads in Saudi Arabia. Customs posts will be required as well as road interchanges and the township. The first consortium to be publicly announced was formed by Mr. Adnan Khashoggi's Triad group in association with the British companies Tarmac and Redpath Dorman Long. At least two other consortia are reported to be being formed but, rather more quietly.

project, and possibly tenders for the sports complex at Isa Town (big enough to host the Asian Games and again to be paid for by the Saudis), there is very little in the way of major new work in Bahrain. Work at Mina Sulman port is rapidly nearing completion, the \$30m gas-gathering project is under way—the first contract of any size to be won by a Japanese contractor in Bahrain—the road works continue at an unexciting pace as does the multi-million dollar water and sewerage programme. Work is scarce and some contractors are reported to be continuing work today for guaranteed payment to-morrow (or the day after) in order to keep their men and equipment in use.

The main emphasis in the private sector, largely concerned with office, domestic and hotel accommodation, is on renovation of houses and completion of office blocks started two years or so ago. Renovation work on the older houses (built in the late 1940s and early 1950s) by companies such as Projects, has often turned out to be both aesthetically and economically pleasing. It has been found that spending a few thousand dinars on new windows, plastering and air-conditioning units can raise an old house up to modern rental values. New houses are expected to cost around \$150,000 plus to build, and monthly rentals have dropped back to around \$1,400 as opposed to virtually double that two years ago. Bahraini landlords and traders have still not fully adjusted to the more modest post-boom margins.

A number of contractors and suppliers are known to be having a very hard time, a few stating outright bankruptcy on a day-to-day basis. There has been only one liquidation (not yet completed) of any size in Bahrain during the past year and that was semi-voluntary. The company concerned was involved in a number of contracts, but one Government contract proved to be beyond its management capabilities. In true Bahraini fashion a number of compromises were made which enabled the contractor to appear to be finishing the contract while in actuality it was done by another. At one point, however, the client's patience ran out and there was talk that the performance bond might be called. The contractor reportedly sought an injunction to prevent

the bond holder from paying on call—and everyone wanted to see what would happen. Nothing did.

Banks in Bahrain have had to practice the art of doing nothing, or at most, very little, on a number of their real estate loans. There are no long or medium-term lending institutions in Bahrain. (The Offshore Bank Units (OBUS) can only lend to local borrowers with specific Government permission), so developers have had to borrow from the commercial banks with the maximum borrowing term being seven years. In some cases this is going to have to be seven years twice in succession as costs have escalated and prospective returns dropped.

A classic example of this problem is the Diplomat Hotel project being built by Hyundai, where the capital has virtually been doubled since inception and two substantial loans, largely from Kuwaiti institutions—have had to be organised, as well as a small Government stake. The loan terms are fairly tough.

The Bahrain Government has a large housing programme as the Bahraini population is

growing rapidly—at over 3 per cent a year—and the old style of living three generations to a house is giving way to the nuclear family. The Housing Ministry has hoped to construct some 2,000 housing units a year, but this has not always been possible.

A major beneficiary of the Government's housing programme is the 60 per cent Government-owned United Building Factories (UBF) which uses the Camus pre-cast building system. The company, at present is finishing 500 houses and 150 flats at Isa Town, and is midway through the programme for another 300 houses there. It is on the point of handing over five schools to the Public Works Ministry and is working on a number of welfare buildings.

UBF believes it can be viable on a throughput of 600-700 houses a year, a minimum which the Government has half promised to supply, and it is now seriously setting about pre-qualifying for contracts in Saudi Arabia and Abu Dhabi. Of course, a causeway to the mainland would be a great help.

Doina Thomas

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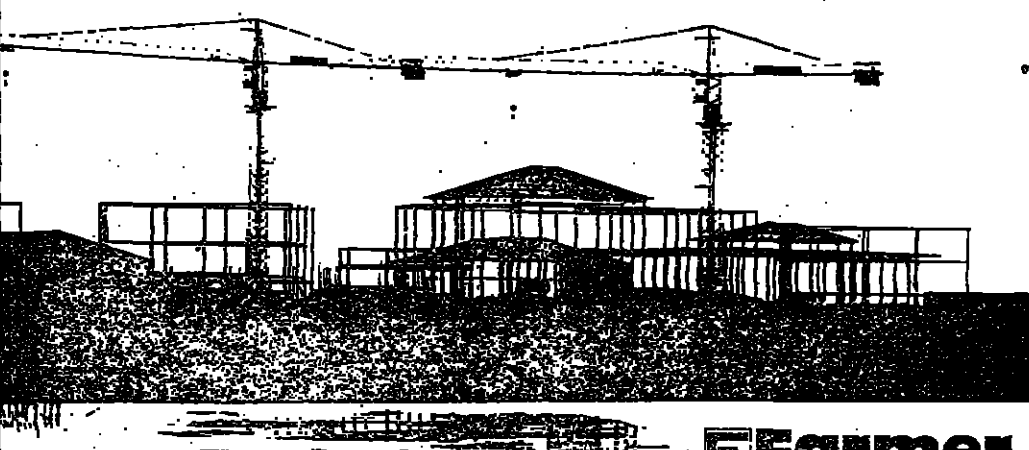
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ARAB CONSTRUCTION IX

Iraq

Long-term potential

AS STRIKES sweep across the Arabian oilfields cutting their exports to almost nothing, Iraq has become the second largest oil exporter in the world. Yet Iraq remains one of the least known of the major Arab oil producers. Contractors, fearful of the heavy state control in Baghdad, have in the past looked to easier conditions in the lower Gulf.

The long-term potential of Iraq cannot be questioned. Its population is now 12.3m people and oil production is planned to rise to 3.5m barrels a day by 1980. The size of its oil reserves are uncertain because of lack of exploration in the past, but the Oil Ministry has claimed in the past that reserves may be as high as 95bn barrels. This gives Iraq the second largest reserves in the area after Saudi Arabia, higher than Iran.

The repudiation with which the contractors have approached Iraq is partly, but not entirely, justified by the isolation of the Government in Baghdad since it took power in 1968. Initially it faced a series of attempted coups. Then from 1973 on it had to cope with the final Kurdish revolt up to 1975, when the rebellion was ended through an agreement between Baghdad and the Kurds' backers in Iran.

The termination of the long running dispute with Syria and the Baghdad Government following the Camp David agreement between Israel and Egypt, also strengthened the Government. In 1976 the oil pipeline between Kirkuk and the Mediterranean, which transits Syrian territory, was closed. Subsequently transport by road and rail across Syria was choked off. These problems are now being resolved and the connection between Iraq and the Mediterranean reopened.

The changing political scene, and the intermittent slowdown of oil exports, has had an impact on Iraqi planning. The closing of the trans-Syrian pipeline, in particular, made it necessary for the 1976-80 plan to be of more modest dimensions than had been previously hoped.

But Iraq also suffered from the same problems of other oil producers trying to storm forward towards development using the new oil revenues after the 1973-74 oil price rises. Ports became congested, bottlenecks developed. Everywhere there was a chronic lack of skilled manpower. Ambitious plans for industrial projects have now been severely truncated and the emphasis is on building up the infrastructure and on completing and putting into operation such projects as the urea plant which Mitsubishi is building near Basra. In the same area Thyssen and Lurgi are working on a \$1,000m petrochemicals plant. Creusot-Loire has had difficulties with its steel plant close by.

The 1976-80 development plan was delayed as the Iraqi leadership tried to re-order its priorities. They are now essentially working from year to year plans rather than the 1976-80 development plan.

The industry is receiving some 41 per cent of the total plan expenditure of \$48m—though this figure should be treated with caution. In theory agriculture has priority and in the provision of high quality graduates from agricultural colleges this is true. But its capacity to absorb investment is limited and is unlikely to rise above 20 per cent.

The agricultural projects have frequently involved British consultants. But the major contracts have been going to the Soviet Union, Yugoslavia,

Austria and the developing countries.

The biggest exporters to Iraq in the past have been West Germany and Japan, which have received the lion's share of construction contracts. The Japanese have looked to Iraq as a good alternative source of oil if there was disruption of current supplies and have organised a \$2bn credit to help win major contracts.

The United States has no embassy in Baghdad and its commercial hopes have been limited by boycott restrictions and political differences. But it is important to note that Iraqi Airways relies on Boeing aircraft and Brown and Root constructed a large oil terminal on the Gulf. Some Iraqis would dearly like American oil technology.

A worry for contractors is that the Iraqis are tough on prices (though satisfactory in maintaining progress payments). More important is that in the past, the Iraqis have linked the awarding of contracts to individual countries with the purchase of Iraqi crude.

In the spring of last year an embargo was started by the Iraqis on orders from West Germany to try to get the West Germans, the largest suppliers, to raise the amount of Iraqi oil they were using.

Other suppliers hoped to fill the gap left by the Germans. But in the middle of the year the expulsion of Iraqi diplomats from Britain led to a highly effective embargo being imposed on UK imports. Wimpey had hoped to win a \$1.2m rail-way contract, which has now gone to Mendes Junior of Brazil. After France and Italy, Brazil is the largest consumer of Iraqi crude, and Petrobras, the State oil company, has an exploration and development contract in the

southern oilfields.

The tighter market for oil may make the Iraqis less intent on linking the award of contracts to a country's imports of Iraqi crude. But it is noticeable that smaller countries, such as Finland, Austria, Brazil, India and Yugoslavia, have been doing particularly well. Consumption of Iraqi crude has often been the key which opens the door for contractors.

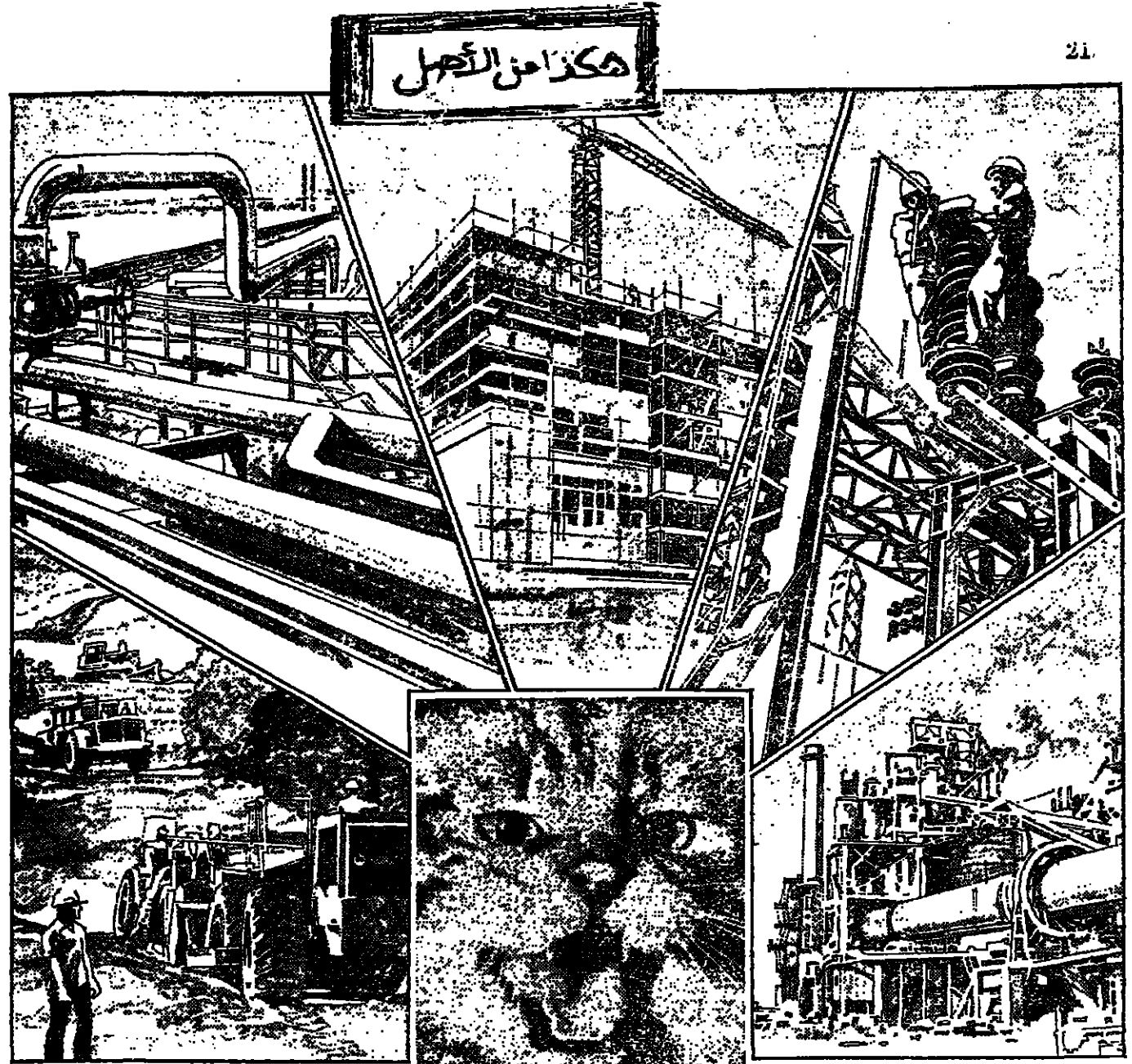
Companies working in Iraq often complain of the difficulty in dealing with the complex Iraqi bureaucracy. This tends to vary from one State organisation to another. An additional problem is the provision of labour. The Iraqis, differing from other Arab oil producers, have never encouraged immigrant workers, though Egyptians are very visible as hotel waiters.

Hence they emphasise the training development aspect of contracts. They are deeply conscious of the need for more trained Iraqi personnel.

This has also led to the award of school and college contracts on a turnkey basis over the past year. The Japanese and the Finns have been the main beneficiaries. There are also plans to increase the supply of housing very rapidly over the next five years.

For the construction industry Iraq's potential remains very large but requires patience and experience. From 1974 onwards Iraq and the other States of the Gulf looked more attractive propositions. But the long-term needs of Iraq for infrastructure, industry and agriculture are far greater than those of the small populations of the lower Gulf. Knowledge of the future potential has to be weighed very carefully against current difficulties.

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Oman

Little work on offer

IF OMAN was a little later than most of its Arab neighbours in coming to terms with the twentieth century, it has certainly made up for lost time.

Occupying a strategically vital position on the south eastern corner of the Arabian peninsula and overlooking the narrow stretch of water which separates it from Iran, the Sultanate offers the visitor a bewildering but delightful mix of ancient and modern, a country of contrasts with its mud-built multi-storey homes and its ultra-modern international hotels, a nation of proud tradition and boundless ambition for the future.

For the moment, however, it

is offering little in the way of work for international contractors. For the fact is that along with some of its other Arab neighbours, the country has experienced an economic slowdown as a result of financial stringency, which has inevitably curtailed the rapid rate of infrastructure and social service development that commenced with the accession of the present Sultan, Qaboos bin Sa'id in 1970.

Before the period of slower growth, development in the country had proceeded at a rate which was barely surpassed anywhere in the region. Construction activity in the north, around the capital Muscat and Mutrah, had reached the stage

where suitable land for further development was scarce and in which services could not cope with the demands being put upon them.

Whole areas became construction sites almost overnight, and entire landscapes were transformed as high, rocky outcrops gave way to office, shop and housing developments.

In the southern province of Dhofar, separated from the north by hundreds of miles of inhospitable and largely unpopulated interior, a guerrilla war ended only in 1975, but more recently development in the area has gathered momentum, partly as a result of the Sultan's desire to retain the loyalty of the Dhofaris and to bring their standard of living up to that of Northern Oman.

A country with some rainfall that has traditionally been heavily dependent on agriculture for its livelihood, Oman has plans to develop a range of light industries—some already apparent—in an attempt to break with its traditional economic base. With substantial petroleum revenues and other important natural resources such as copper and other minerals, heavy investment is being made in these areas and in industries like fishing, as well as in the continuing expansion and improvement of the country's infrastructure.

So although the medium to longer-term outlook for construction activity in the country must be regarded as good, the current situation—in which few substantial contracts are going out to tender—represents anything but a buoyant one for contractors in search of work.

Oman has traditionally close ties with the UK and several of this country's major international building and civil engineering operations have carried out work there. None, however, regard the country as one which offers any immediate growth prospects and work has become very thin on the ground.

Some contractors, while maintaining a presence in the country, have no contracts in hand and are simply biding their time until the position improves. UK companies which have undertaken work in Oman include Wimpey, Costain, Furness and Paulings. One of the most successful to date has been Taylor Woodrow, through its partnership with local contractor W. J. Towell.

Taylor Woodrow Towell has managed to win large volumes of work throughout the country since modernisation began, some involving projects for the Sultan himself and much of it centred on defence, police, health and education projects. The company has, for example, recently completed a two-year contract for the construction of a marine police base and has also finished work on an army training school which boasts all

the latest aids and facilities.

But perhaps the jewel in the company's crown is the Medinat Qaboos housing and apartment development in which the Sultan has taken a close and special interest.

Claimed to represent the best residential area in Oman, the development was started in 1973 on a site a short distance out of the capital, the first completely private enterprise operation of its type in the country. The eastern section of what is essentially a new town offers about 550 houses, villas and apartments and was developed by W. J. Towell, and built by Cementation (Jersey). Most of the properties are being offered on short leases and the whole development is being managed by Taylor Woodrow Towell.

The western section, which comprises houses for sale, is now about half complete, was designed by Taylor Woodrow International, and the main contractors and developers are the Oman International Development Company. Sales towards the end of last year were reportedly slack, although there have been signs that interest is picking up.

Few developments will presumably match the Medinat Qaboos standards, but the provision of housing in Oman does represent an area with considerable potential for future contractors. It is already clear that preference is being given to the initially essential prefabricated housing unit towards more traditionally built property.


Away from housing, road developments will also continue to play a major part in future development strategy. Since the early days of the new programme, over 1,000 km of graded roads have been built, many linking the country with the nearby United Arab Emirates and improving communications between domestic centres.

The opening up of the interior and the improvement of north-south land links should provide substantial volumes of work of this type.

Companies such as Wimpey have already been participating in road contracts, but they have to contend with some very tough competition from other international specialists such as Joana and Paraskevades of Greece, which has developed a sizeable contracting operation in Oman, picking up work involving military projects, road construction and airport projects.


The UK presence has by no means been static, however, and the success of consultants like Halpern and Scott Wilson Kirkpatrick is as notable as any progress made by the contractors themselves. Both sectors hope Oman will prove to be a market of the future, if not of the moment.

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ARAB CONSTRUCTION X

North Yemen

Contractors move in

ONE OF the most romantic projects in the Arabian peninsula is to be found in North Yemen—the reconstruction of the giant and historic Ma'rib dam, east of the mountains surrounding Sana'a, the country's capital. Ma'rib was the Queen of Sheba's capital and a flourishing commercial centre in the days of the frankincense trade. The dam at Ma'rib retained the waters that irrigated much of the surrounding territory and gave the country its historic title of Arabia Felix.

Shaikh Zaid of Abu Dhabi, president of the United Arab Emirates, is personally interested in the reconstruction of this dam as his ancestors came from the area. It is reported that he himself will finance the rebuilding of the dam if feasible (if not a new dam may possibly be built on a new site). Electrowatt of Switzerland is doing the feasibility study.

But North Yemen's construction plans are not limited to rebuilding the past. The country has published an ambitious \$3.6bn five-year development plan which is aimed to lay the foundations for raising the country from its medieval subsistence agricultural economy to a modern light industrial state supported by a flourishing agriculture. The first step—the primary objective of the current plan—is to create the infrastructure. Many of the projects in the five-year plan, roads, power plants, telecommunications, water and sewerage, ports and airports, schools, hospitals and housing, could be started in the coming year or so.

A number of contractors and consultants who are running out of work on the other side of the Arabian peninsula are already in North Yemen, hoping for future work.

Those contractors, however, will find working in the Yemen Arab Republic strikingly different from in the small but wealthy Gulf sheikhdoms. The first and most obvious difference is that the North Yemen Government is poor. The bulk of the projects in the five-year plan are to be financed by aid from outside, though some, it is hoped, by the Yemeni private sector. Fortunately so far it seems that the aid is readily forthcoming from both Arab and Western sources (and a little from the Chinese and Japanese). Already North Yemen has received

pledges of around \$1bn plus towards the cost of its five-year plan.

For contractors and consultants this means lobbying the various aid agencies as well as the North Yemen Government in order to get on to the pre-qualification lists. The essential ministry to get to know is the Central Planning Organisation (CPO) which, with UNDP assistance, prepared the five-year plan and will oversee its implementation. The CPO administers the tender and prequalification procedure for all the major projects, such as the \$300m power generation and distribution scheme for which bids were called in last November.

Change

A feature of this particular contract—which hopeful contractors would do well to notice—is the insistence of the Yemenis on some indication of what credit would be available in the contractor's home country. While the CPO made it perfectly clear that a tied proposal—give us the contract and we will give you so much credit—was not what was wanted (and might, indeed, be resented), an indication of credit availability was of prime importance.

While contractors and consultants should make themselves known to the CPO and the relevant aid fund underwriting the project in which they are interested, contact should also be made with the appropriate ministry. The excellent COMET (Committee on Middle East Trade) report on North Yemen, published in September, 1978, and costing \$6, points out that contacts should be made at high levels—North Yemen even more than the other Arab states, suffers from a serious lack of adequate middle and lower rank civil servants and managers. As a consequence, senior officials are inundated with work—and yet always accessible—which means that arriving at decisions is often a protracted process. Yet once decisions are made, they are often implemented quickly.

It is vital for those seriously looking for work to have a representative on the spot. Communications with North Yemen are not good enough for companies to rely on telephone and telex messages keeping them up-

to date, nor do Yemenis always respond to them. As yet few Yemeni contractors have sufficient experience to undertake the major works scheduled in the five-year plan but many are seeking to represent international contractors. "A local representative with an active principal and employees is essential to help the foreigner cope with the lower levels of Yemeni bureaucracy, as well as keeping in touch with the top civil servants," one established international contractor comments.

British consultants, while they do not have such a strong position as in some Gulf states, are quite conspicuous in North Yemen. Sir Alexander Gibb is consultant to the Hodeidah port project, adding a sixth berth, handling equipment and service buildings. It is also supervising the work at Mocha, the ancient coffee exporting port which is being done by Dutch contractors. In consultation with the French consultants Ingeroute, it is working on a number of road projects. Alone it has the consultancy brief for four small domestic airports—North Yemen covers some 200,000 square km of high mountains and extensive plains, making internal communications difficult. Kennedy and Donkie is the consultant to the Yemen General Electricity Corporation, working on the country's power generation and distribution programme under the five year plan. North Yemen plans to spend \$190m on it. According to the COMET report present installed capacity in North Yemen is around 17.5 MW. Immediate as well as long solutions to the power supply problem are necessary.

There is a \$100m water and sewerage project under way covering the three main towns of North Yemen. Sana'a (the capital), Taiz and Hodeidah. The Sana'a work is being carried out by Lilley International of the United Kingdom which hoped to have completed its work around the turn of 1978-79, the consultant is Howard Humphreys. The Sir

William Halcrow consultancy is working on a water project of a different kind—the irrigation studies for Wadi Sirrud. Irrigation studies are being carried out on some of the wadis running from the mountains down to the Tihama coastal plain, and these will lead to a number of dam building projects with associated access roads and other extension work.

A major part of the five-year plan is taken up with the improvement of road communications (for both political and economic reasons). Most of the villages in which North Yemen's population of 6m or more live are not linked into any metalled road system. The only paved asphalt and graded roads are those linking Sana'a to Hodeidah, the latter to Taiz and Taiz to Sana'a, and from Sana'a to the northern city of Sa'ada. Village co-operatives are busy building access roads but, as anyone flying into Sana'a can see from the windows of the aircraft, the construction of roads in Yemen's mountainous territory will be an enormous engineering challenge. Some \$520m is estimated to be needed for first priority roads and a further \$230m for second priority. There are, in all, some 42 road building and maintenance schemes of which 28 are on the first priority list.

Housing, too, is a major priority of the North Yemen Government. A 2,000-unit township is being built outside Sana'a by the Spanish company I. G. Varia, and the CPO is believed to be planning a second township of about the same size. But it is in the residential sector that private projects come to the fore. The high level of remittances from expatriate Yemenis (mostly in Saudi Arabia), now said to total around \$1.4bn annually, means that new building is going on in virtually every village in North Yemen. A Kuwaiti real estate developer has put up a speculative development of prefabricated houses outside Sana'a and is planning more.

There is a new Yemeni Kuwaiti Real Estate Develop-

ment Corporation, in which the shareholders are Yemeni citizens and Kuwait banks, which has a number of hotel and residential development projects under study, including two possible Sheratons. The hotel studies are being done by the British consultancy Howarth and Howarth.

Land in North Yemen is expensive and not readily available. Construction costs are also soaring as Yemeni labour becomes more expensive, keeping pace with an inflation rate around the 30 per cent mark. In some cases, the Yemeni labourer has priced himself out of the market and the Government has permitted contractors to bring in Asian and Egyptian labour.

Yemenis, both as private citizens and as Government officials, are commonly regarded as tough bargainers, who still tend to go for the lowest price, although engineering and other skills are given their due value. This does, however, mean that Western contractors will face stiff competition from Asian and Far Eastern contractors—and from Africa. There are a number of Sudanese in consultancy positions with the Government and an Ethiopian contractor is building the Yemen Airways Corporation headquarters.

Competition

In the not too distant future there may also be competition from a major Yemeni contracting company. It is known that the Government is eager to set up a national contracting company in partnership with a foreign contractor of international standing and that it would be prepared to guarantee work to the new company. So far there is no betting in Sana'a as to the name of a possible foreign partner.

The Yemenis are also tough on contract terms, and the COMET report advises contractors to include every possible detail in initial draft contracts—down to the right to import food and drink for company employees—as details cannot be added later. If further contracts

are hoped for, the first must be a model legal document as the Yemenis like to take a first contract as a standard for the second. Where a project is to be funded by one of the many aid bodies helping North Yemen, standard FIDIC terms are usually followed. Although there is no formal codification of bid and performance bonds, in practice these tend to be between 2 and 5 per cent bid bonds, and 10 per cent performance bonds with up to 20 per cent retention, possibilities on construction contracts. So far all contracts have been negotiated on a fixed price basis.

But it is the question of the stability of the North Yemen Government, rather than its tough negotiating posture, that worries many international consultants and contractors. With nearly half a score of attempted coups and two presidents assassinated in the past two years, they have reason for concern. But long-term expatriate residents of Sana'a point to the fact that the Yemeni economy seems to be largely unaffected by the political upheavals. When President dead have changed, there has inevitably been a temporary hiatus in Government decision making. The private sector has been quiet for a few days and then business life returned to normal.

Since the impressive and relatively long-serving President Ibrahim al-Hamdi was murdered in October, 1977, there have been three successive leaders but the complexion of the Government of the YAR has, in broad terms, remained much the same. There is a strong commitment to private enterprise and the two key factors underpinning the economy—the flow of official aid and workers' remittances from Saudi Arabia—have continued unchanged. It is also pointed out that President Ali Abdullah al-Saleh may well have strengthened his position by means of the swift way in which he dealt with an attempted army coup in November last year.

Doña Thomas

Egypt

Finding the money

EGYPT REPRESENTS potentially one of the most exciting markets for construction work in the entire Arab world.

With 38m people, the country has the largest population of the region, and one of the greatest undeveloped land masses in the Middle East. But more important, it has resolved to embark on an ambitious plan of modernisation and development which will inevitably require the assistance and resources of non-Egyptians.

In this respect, the prospects for business for the UK building and civil engineering sector seem boundless. As the briefest of visits to Cairo will confirm, the Egyptians like the British, and the few contractors who have ventured into the country since the post-Nasser "open door" policy took effect have likened the atmosphere that which exists in parts of the Gulf, where historical links with the UK can often represent a head start in the race for work.

Egypt is not immediately ripe for the picking, however. It is a country of enormous frustrations and endless bureaucracy and, most important of all, it remains relatively poor. So far at least, its ambitions have been severely curtailed by a painful lack of finance, but there is hope that the outlook is much brighter.

Cotton

Traditionally dependent upon the export of cotton, Egypt's economy is now undergoing a period of significant change and diversification, and since the 1973 war with Israel the Government has attempted to encourage domestic and foreign private investment and slowly to pull down much of the bureaucracy which has hampered progress.

Now petroleum production is rising (the country is self-sufficient in oil) and export revenue is increasing. In addition, the reopening of the Suez Canal has provided a badly needed economic boost and a country once almost wholly turned to agriculture is developing mining and manufacturing industries, extending into engineering, electronics, chemicals and construction materials and also emerging as a significant regional centre for commercial and financial services.

The high cost of defence (a peace settlement should relieve enormous financial pressures and bring a boost in the form of overseas investment), the heavy requirements of Government in an extensive bureaucracy and expenditure on consumer subsidies have led to large Government budget deficits which have been financed by borrowing. Egypt's external debt

remains very high. So although the country may still represent the Arab world's version of "a sleeping giant," it is already showing enough signs of life to interest the contractor or civil engineer who wishes to maintain a presence in the Middle East and is finding it increasingly hard to find work in those countries where basic development is well advanced.

The total value of major construction projects in Egypt, under way or provisionally costed, amounts to no less than \$1.5bn, and although the level of activity this figure suggests will be spread over a number of years it should be sufficient to sustain a major construction boom in the country.

Egypt is not, of course, without its own building and civil engineering fraternity, but it is already clear that it needs, and wants, help in the form of outside participation. Some UK contractors have been quick off the mark.

Few have been quicker than Higgs and Hill, which is now developing the ultra-modern Cairo Plaza project on the banks of the Nile in the capital. The management fee agreement is worth in excess of \$35m and involves the construction of twin, 39-storey towers for use as apartments and offices. A shopping exhibition and conference centre will also be included in the complex, due for completion in 1981.

The work represents one of the largest building contracts yet to be awarded in Egypt and is something of a coup for both Higgs and Hill and the UK. It is certainly the kind of valuable foot in the door which could provide a smoother entry for other companies which attempt to follow.

But as Higgs and Hill itself point out, the work is not easy to win and the execution of the contract is not exactly trouble free. The contractor has to cope with a situation in which different disciplines prevail, or to put it more bluntly, in which lower standards often exist. There is an educational role to fulfil as well as a construction job to be done.

Although it will have to keep its wits about it to maintain the edge which exists, Higgs and Hill is not alone in Egypt. Tarmac Overseas, in joint venture with Osman Ahmed Osman, is constructing a two-lane road tunnel under the Suez Canal at El Shailufa, near Port Suez. The multi-million pound contract is due underway and the tunnel is due to be operational by 1980. The original value of the work was \$80m, although this figure is now very much out of date.

Supertankers

Other contractors in the country include Cementation (through Cleveland Bridge and Engineering Middle East) and Bovis, currently engaged on a contract for the refurbishment of the world-famous Shepherd's Hotel in Cairo.

The largest single project in Egypt must be the first phase of the plan to deepen and widen the Suez Canal, so that it is capable of accommodating the 150,000 dwt supertankers. The entire project, including the second phase which will enable loaded 260,000 dwt tankers to use the canal, is calculated to cost (at current prices) about \$1.5bn, with most of the finance coming from the International Bank for Reconstruction and Development, the Arab oil states and the Japanese. Japan has already provided over \$100m in aid for the project, and one Japanese company, Mitsui, has already picked up substantial canal-associated work.

Elsewhere, Port Said, Ismailia and Port Suez are to be modernised as part of a re-development programme in the canal zone, which will cost an estimated \$6bn over the next couple of decades.

The programme will involve the construction of more road tunnels, the reclamation of land and the creation of new population centres destined to provide homes for over 2m people.

The second largest project in the country is the scheme to construct new cities in the desert to relieve the city of Cairo, which now has an estimated population of 5m and represents one of the most tangled and chaotic urban centres in the world. Its prob-

lems are accentuated by the inward drift of people from areas offering little work and low standards of accommodation, and the development of a series of overspill cities is now regarded as a major priority in the overall development programme. Four new cities are envisaged: Sadat City on the Cairo-Alexandria road, Ramadan City on the Cairo-Ismailia road, King Khalid City on the Cairo-Fayoum route and El Obour City on the Cairo-SHIBEL desert road.

Work on Ramadan City has already started at a projected cost of \$400m, and activity on some of the other centres is now about to start. The prospects for system-built housing would appear to be immense.

In Cairo itself, plans are also drawn up for the first phase of a metro system, designed to help relieve some of the capital's mounting congestion problems. The cost could be as high as \$600m and is being funded by the French and by Arab bankers.

The contractor aware of these plans and more and consequently considering Egypt as a market worth taking seriously would be well advised to carry out the type of background research which forms an essential preliminary to activity in any of the Arab states.

He will find the country represents a market place in which many of the alien and, for the outsider, problematical social restrictions and customs found in other Arab states do not exist. On the other hand, there are tough regulations governing the labour market and some fairly protracted requirements for establishing businesses. Egyptian private or public sector participation is usually required.

As a construction market, Egypt has enormous potential and there may be much to be gained by examining the first overseas operators to establish firm roots in the country. There is still, however, widespread reluctance on the part of many companies to become committed in a country whose ambitions may well prove to exceed its financial capabilities. The mushrooming and liberalisation of the banking sector—involving Egyptian and foreign banks—should, at least indicate that things are beginning to move in the right direction.

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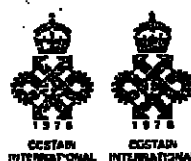
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Playing the numbers game in earnest

NOW THAT he is no longer running for President and his chronic back condition is improved, Senator Edmund Muskie has become rather good at offering a sense of perspective. Thus, he was heard to remark on the other day, what is the point of worrying about a billion dollars here or there on the federal budget deficit in a trillion dollar economy?

Unfortunately, the budget for the 1980 fiscal year, beginning in October, which President Carter presents to the nation today, is one in which precise numbers have become the name of the game. Mr. Carter likes to play it himself, at his Press conference last week he claimed with pride that not only had he managed to meet his self-imposed target of reducing the deficit to \$30bn but that he had actually beaten that figure by exactly \$1bn. This meant, he said, that he had more than halved the deficit since he took office two years ago and showed that the federal government was serious in shouldering its share of the burden in the fight against inflation.

Others are watching the numbers with equal intensity. One growing school of thought is currently demanding that the federal government should be prevented by constitutional amendment from running any sort of deficit. This essentially conservative movement is in the process of being taken over by Governor Jerry Brown of California, who thinks he can ride it to the White House next year, and has already been sharply criticised as "dangerous" by the President. For liberals, the promised 3 per cent increase in defence spending and commensurate cuts on social services is an abdication of domestic responsibilities, while for conservatives more is needed for the military to

combat the Russian menace. To another group, the question is what over the coming months, Congress will do to Mr. Carter's blueprint, the main numbers of which have in any case been known for some time. Congress may be moved by fear of recession and higher unemployment to increase government spending, or impelled by a surge of austerity to cut it back further, or it could leave the overall picture relatively untouched while considerably changing the budget's composition. A different school maintains that the budget is more or less irrelevant and that the answer to inflation lies on the monetary side of the coin with the Federal Reserve.

Recession

The main question of the moment, into which context the budget must be placed, is whether the U.S. economy can avoid a recession (as the Administration is in a minority in believing) in the process of curbing inflation, or, if not, when it will come and how deep and long lasting it will be. There is some debate as to whether or not the modest real rate of growth projected for 1979 by the government of 2.2 per cent is in reality a "growth recession" because it could be under the long-run potential expansion of the economy. But, for the most part, the focus is on the chances of the U.S. having a recession in the technical sense of the word, that is, two consecutive quarters with negative real growth.

Before last October, the experts were divided on when the four-year-long recovery would finally run out of steam. After the President had un-

veiled his austere domestic anti-inflation policies and the dollar support package, which came wrapped up in the promise of tighter Federal Reserve monetary policies, the consensus view among economists was that an outright recession had been made much more likely by the middle to latter half of this year, but that it would be relatively mild and short. Since then, and without much consensus, events have induced the seers—but not the Administration—to suggest that the downturn will be deeper and later, perhaps delayed until early 1980.

The principal developments have been the staggered OPEC oil price increases over the coming year, compounded with the possibility of further interruption of supplies from Iran, and, perhaps more important, the persistent vigour of the economy. In the final quarter of last year, figures released last week showed Gross National Product rose by 6.1 per cent in real terms of an annual rate, more than double the expansion in the preceding three months. The principal factor was the buoyancy of consumer spending, but the data also demonstrated what Administration officials have been maintaining for months—that the economy, remarkably so given the length of the recovery from the 1974-75 recession, remains in extremely good balance.

Most of the vital organs seem to be working well. Industrial production continues to advance respectably, the nation's factories are operating at over 85 per cent of capacity and there are only isolated cases of potential bottlenecks and supply problems in evidence. Inventories are in a comfortably low ratio to sales, with few signs



President Carter—hard choices in the shadow of a 1980 election year.

of the frenetic build-up and subsequent sharp reduction of stock that characterised the onset of the last recession. Housing starts are still running at well over the 2m units per annum level in spite of higher interest rates and, while this is likely to drop somewhat, it is generally accepted now that the new money market instruments put out by the housing institutions provide the industry with a degree of insulation from the worst monetary travails that it has not enjoyed before. Per-

sonal income is advancing healthily and if the savings rate remains too low and consumer debt too high there is no real suggestion yet that consumers are embarking on a last wild spending spree before the Titanic goes down. At the same time, business spending plans, while lower than the Administration might like, do not seem to be on the verge of disappearing through the floor. Moreover, as Professor Samuelson so eloquently pointed out in this space on

New Year's Eve, the broad-based growth of the economy has enabled the country to accommodate a far greater expansion in the labour force than had been forecast. Failure to meet the demand for jobs—more than 7m were created in the last two years—would have exacerbated domestic social strains, as well as placing a much heavier burden on the federal budget. Unemployment is still under 6 per cent and a higher proportion of Americans are in work than ever before.

Thus, viewed entirely in its domestic productive context, the U.S. economy is in by no means bad shape. The fourth quarter statistics suggest that it still has the sort of life in it which may take some time to expire in spite of the constraints being applied by the fiscal and monetary authorities.

But the perceived cancer in the economy is inflation, which, at the consumer price level, rose to over 9 per cent last year and which has been showing no signs of abatement. The Administration maintains that it is at least getting no worse and is projecting about 7.5 per cent over the course of this year, according to the President's "real wage insurance" proposals unveiled last week. But the assumptions contained therein are frequently challenged.

This is hardly surprising if one considers the array of inflationary items that could exert substantial upwards pressure on costs and prices if all goes badly—foreign and domestic oil price increases, social security and minimum wage increases mandated by act of Congress, the outside chance of Congress insisting on further tax cuts, the residual consequences of last year's dollar deterioration and the possibility of further future

weakness, the imponderabilities of the harvest (with the citrus crops in California and Texas already badly damaged this winter), plus the probability of additional expensive support programmes for domestic agriculture, and the assertion of protectionism in Congress. Combine this list with the impact of high interest rates and the distinct chance that both the unions and the corporate sector will flout the wage and price guidelines and the potential for inflationary disaster is apparent.

The converse—which the Administration has no alternative to promulgate unless it simply succumbs to either a major recession or fully-bledged wage and price controls—is that the worst case will not materialise, that the Administration's multi-pronged but still essentially gradualist and balanced policies will take hold and even a probable rise, that the nation will respond to the inflationary threat and abide by the guidelines.

Pruning the budget deficit is an integral part of this strategy and there is nothing in President Carter's character to lead one to believe that he will not stick to his austerity guns. But this year economic considerations may not be taken in isolation, for 1980 will bring the next presidential election. It is assumed that Mr. Carter will run again and, it is entirely logical to assume that all Mr. Carter's political advisers will be telling him that if the economy is not moving in the right direction by the spring of 1980 then he may be in trouble. He could be attacked from inside the Democratic party (into

which category Governor Brown has now placed himself) and the Left (Senator Kennedy), with the Republicans, if they ever resolve their own leadership problems, enjoying the spectacle and seeking to benefit from it.

Mr. Carter might find that the country prefers his middle-of-the-road policies to the solutions offered from the flanks, but that is a large gamble. In 1971, in not dissimilar circumstances, President Nixon caved in to the same pressures in pursuit of reelection. If the economy starts showing signs of incipient collapse towards the end of this year, and given the time lag between the introduction of more stimulatory policies and the response to them, Mr. Carter might find himself contemplating rather different

Guidelines

U.S. FEDERAL BUDGET DEFICIT (fiscal year)	
1970	\$bn 2.3
1971	23.6
1972	22.2
1973	17.7
1974	4.7
1975	45.2
1976	64.3
Transitional quarter	12.3
1977	45.0
1978	48.6
1979 (est.)	40.0
1980 (est.)	29.2

* Change in fiscal year from July-June to October-September.

economic policies just at the very moment when the budget he presents this morning is to go into effect. That, perhaps, is what Senator Muskie had in mind when he wondered about the significance of the \$30 billion dollars here or there, for the numbers game can very quickly change.

Civil Service pay

From Mr. A. Furse
Sir, I'm sure that Mr. Laybourn's letter (January 15) will be carefully considered by the four voting members of the Pay Research Unit Board, and I look forward to seeing their recommendations and their current and previous employers or posts.
I would also like them to consider the following: on April 5, 1978, you published a letter from Mr. E. Davies. It included the following astonishing statement: "the comparison which needs to be made by the Government Actuary is not... with the post retirement increases currently provided by the generality of pension schemes. Rather it is with the pension schemes of the restricted group of employments used as analogues by the Pay Research Unit, and that study showed that these schemes are expected to provide more generous inflation proofing than the average scheme."
National Association of Pension Funds surveys which cover the post retirement increases currently provided by the generality of pension schemes... by implication should not be used.
If Mr. Davies is properly informed—the cat is out of the bag, the Pay Research Unit restricted its investigations so that only schemes which provide the most generous inflation proofing were studied or to be more succinct, it "decided the answer required and adjusted the evidence to fit it".
May I therefore add to Mr. Laybourn's admirable plea, the request that the Pay Research Unit Board should make careful inquiries about this aspect of the analogue schemes chosen, and satisfy itself that an independent organisation like the NAPP considers it to be representative of the generality of schemes and that the degree of inflation proofing on the analogue schemes chosen is not abnormal.
If any of the PRU's findings are essentially dubious, it is difficult to conceive how facts concerning this aspect could be omitted without destroying the credibility of the PRUB and reducing the status of the Government Actuary to that of civil service spokesman on actuarial matters.
From Mr. A. Furse
Newcastle
Maid
Cherry

other data, but also any other relevant factors. These, far from regarding the pension of the "loophole" I regard it as a provision supporting the professional standing of actuaries and hence the advice which they give.
This advice may or may not involve "differentiation" as regards rates but it certainly does not, in my view, involve "discrimination" with the more generous provisions with this latter word conjures up. I would suggest that there is a very wide difference in fact between the word "discrimination" which implies unfairness or inequality, and the word "differentiation". Actuaries may "differentiate" premium rates for a variety of reasons (not only sex) if, in their judgment, to do otherwise could result in inequity between classes of policyholders. To this end, they seek to take into account all the relevant factors and advise appropriately as the combined evidence of this appears to them. Thus, to take an example not given by Baroness Lockwood, women have for many years enjoyed cheaper life assurance premiums than men!
If taking all relevant factors into account, evidence on morbidity were to emerge running counter to that which exists at present, then no doubt actuaries generally would feel able to recommend university to their clients that they could cease to differentiate. Unless and until this happens, I would have hoped that individual actuaries could be left to exercise their professional judgment and recommend "differentiation" or not as they thought appropriate in the light of all relevant factors. It follows from this that I would also hope that their action would not be construed as "discrimination" with all that of that word implies.
Monica C. Allanach
155 Coppe Hill, SW20.

Engineering design

From Mr. S. Pugh
Sir, The Financial Times fires yet another broadside (January 11) in support of better product design with its summary, discussion and editorial comment upon the Corfield report. This we place alongside Feilden, Galloway, Carter, Moulton, all of which contain sound and reasoned arguments and recommendations in the same vein, spanning a period of 16 years. Many people reading your articles and the report itself will not be in agreement, and in some instances the adrenalin will flow a little faster for a few milliseconds before returning to normal and the maintenance of the status quo on all fronts.
Indeed, your editorial makes the most important and erudite point when it says "the editorial section deserves the most urgent attention" and goes on to say that the Carter and Moulton recommendations have yet to be implemented. I would suggest that the key to the whole question is implementation. Has Mr. Corfield given thought as to how his own and previous recommendations may be brought into being, with intent in the educational sector?
Having spanned the past eight years in this sector, for the most part teaching design, while at the same time endeavouring to

Men, women and differentiation

From Monica Allanach
Sir, I was surprised to see that your (January 18) of a speech by Baroness Lockwood, when she was a guest at a private actuarial function, had appeared in the Press. Since, however, a report has appeared, I feel that I should comment on two aspects of it.
It appears that Baroness Lockwood, trying to "instruct" actuaries as to how they should advise their clients on premium rating. This seems to me to be tantamount to interfering with their professional status. While the law is as it is, actuaries have a duty to advise their clients as to the most appropriate rates they consider should be adopted, taking into account not only actuarial and

Letters to the Editor

make it a respectable bedfellow of research, I make a personal statement of a certain amount of feeling. To my mind, the implementation of any such proposals will require, in order of magnitude, shift of attitude, enlightened engineering educational management, coupled with a realisation that time is not an our side.
Stuart Pugh
(Smallpeice Reader in Engineering Design, Engineering Design Centre, University of Technology, Loughborough, Leicestershire.)

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The heart of the matter

From the Secretary, The Institution of Mechanical Engineers
Sir, Your very comprehensive coverage of the main recommendations of the Corfield report (January 11) on engineering design prepared for the National Economic Development Council is to be applauded. In the recent flurry of activity aimed at improving our manufacturing performance and, in particular, the education and training of engineers for manufacturing, there was some danger that design, an equally important area might be overlooked.
My institution is in agreement with most of the recommendations made, but for brevity I would just comment on one, namely, "that professional institutions should examine their membership requirements to see if more prominence should be given to design qualifications".
In this institution, design is considered to be the "heart" of mechanical engineering and all corporate members must have received design training and have post-training experience either in design, development or a related field. As far as academic courses are concerned, we are just embarking on a complete review and accreditation of mechanical engineering degree courses and one of the criteria will be an acceptable design element. Thirty-two per cent of our chartered engineer members are practising designers or managing the design function, plus a further 40 per cent of our graduate members.
We are, therefore, very much involved with the design aspect of mechanical engineering and will gladly co-operate with the NEDC or any other appropriate body to raise the standard of design in the UK industry.
Alex McKay,
1 Birdcage Walk, Westminster, SW1.

Market pull

From the Managing Director, DMS Teletech Systems
Sir—One aspect of your critique of "A cure for the ills of product design" (Management page, January 19) is surprising. In two ways it queried the need for marketing control of design. To quote "... the identification of a market need or want should be the first phase... (this rather controversial statement)" and "the project should be the result of market pull. But what of all the financially successful innovations which have come out of production or the labora-

tories, the result of technology push".
Surely Christopher Lorenz should cast his eye over the considerable weight of research evidence showing that innovations based upon market pull have a significantly higher success rate than those based upon technology push. My experience has produced a similar weight of evidence, particularly pointing towards the inability of UK management to grasp this point.
More recently, research comparing management of integrated circuit innovations in the U.S. compared to the UK, has highlighted the same thing as one of its findings.
Thank goodness that somebody of the standing of Mr. Corfield should offer such constructive criticism and prescriptive advice. The path for industry in this country to renovate itself and compete in world markets is not a cheap one, but lies in such good management, based upon intelligent experience and common sense.
David Mason,
Regency House,
1-4, Warwick Street, W1.

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David Mason,
Regency House,
1-4, Warwick Street, W1.

Application required

From Miss E. Barrie
Sir,—Lord Peart (January 5) warned that "the one sure recipe for increasing unemployment will be to respond too slowly" to macro-electronics technology. Is Lord Peart aware of the time taken by the Manpower Services Commission to give applicants for retraining firstly an interview, secondly a decision and thirdly, a training opportunity. I give below my experience.
Nov. 1977 — First discussion with TOPS (training opportunities schemes)
Dec. — Application for course in circuit board servicing
Jan. 1978 — Mathematics test
Apr. — Selection interview postponed by TOPS
Sep. — Interview postponed by me
Nov. — Final interview and acceptance
Nov. — Letter of acceptance informing me that there is an 8-12 month delay before start of training.
The course, when I do start it, is 40 weeks long. The whole process will have taken 3 years.
(Miss) Eyvor Barrie
6, Newton Avenue, W3

Learning is useful

From Mrs. J. Brown
Sir—I was interested in your article on language reading (January 13).
Most schools act as if the only road to acquisition of another language is via "O" and "A" and a degree in the subject. Every teacher enjoys his or her part in this process—but there are alternatives.
As a teacher of Russian for several years, I often found that pupils doing the subject "for interest" at VIth form level for a year or two, got a quick grasp of essentials, and felt the excitement of having a window on another part of the world.
The teaching profession, both in and after school, need not be afraid of admitting that language is a means of communication, as well as something to study for its own sake.
A little learning may be a dangerous thing, but it is often very useful.
Mrs. Joan Brown,
24, Moor Drive, Leeds.

Today's Events

UK—Public Service workers on one-day strike, with a march from Speakers' Corner to Parliament.
Mr. Gordon Richardson, Governor of the Bank of England, addresses biennial dinner in Glasgow of the Institute of Bankers in Scotland.
TUC-Labour Party liaison committee meets, Congress House, London.
Prime Minister attends "What the Papers Say" awards for journalism lunch, Savoy Hotel, London.
Manchester: faces one-day bus strike.
Hearings of the Department of

Trade applications for winding up petitions on two "fringe" banks—Barnett Christie and Kendal and Dept—open in Court 21 at the High Court.
Mr. R. S. Clarkson presents paper on a mathematical model of the gilt-edged market at the Institute of Actuaries, London.
Sir Kenneth Cork, Lord Mayor of London, lunches with Sir David Orr, chairman of Unilever, at Unilever House, London.
Overseas—President Carter presents to Congress his budget for fiscal 1979.
Mr. Andrei Gromyko, Soviet

Foreign Minister, arrives in Rome for five-day official visit, including an audience with Pope John Paul II.
Officials and politicians from 20 Asian developing countries meet in Hong Kong for five-day multinational trade talks.
Talks on international wheat agreement resume in Geneva.
Japan and U.S. discuss economic prospects in each economy during 1979-80, at meeting in Tokyo.
OFFICIAL STATISTICS
Industrial and commercial companies' appropriation account.

acquisition of financial assets and net borrowing requirement (third-quarter). Cyclical indicators for the UK economy (December).
PARLIAMENTARY BUSINESS
House of Commons: Motion to appoint joint committee on special commission on oil sanctions.
COMPANY RESULTS
Final dividends: Alexander's Discount Company, Greenfield Investment Company, Hall Brothers Steamship Company, Ledra Investment Trust, Interplan dividends: Inury Property Holdings, Interim Shares F. Wighton and Sons (Assoc. Cos.), GOSWAY MEETINGS
See Financial Diary on page 51.

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NSS Newsagents well placed for further growth

THE CURRENT strategy applied by NSS Newsagents form a sound basis for forward movement of profits, says Mr. P. H. Byam-Cook, the chairman. The group's main expansion effort continues to be in the acquisition of good confectionery, tobacconist and newagent businesses and the impetus in this field will be maintained he says.

Marketing expertise is to be strengthened to improve buying controls and contribution to profit of such products as toys, stationery, books, records and cards. In addition more resources are to be allocated to modernising existing profitable branches to enhance productivity of existing outlets.

The directors remain confident about prospects for the group's main centre stores. The rate at which they are developed is governed by the availability of both suitable sites and management resources, the chairman explains. At present the company operates more than 20 such stores with retail area ranging from 2,000 to 15,000 sq ft.

For the second year in succession 1977/78 saw cigarette manufacturers heavily promoting king size cigarettes. This has undermined brand loyalty as customers purchase the latest promotional offer with the result that the newsagents find it difficult to maintain tight stock levels.

The cost to NSS as a multiple providing the necessary security, promotional space and extra stocks coupled with the need to offer cut-price terms in many stores, allows only a bare margin on the present pricing structure, Mr. Byam-Cook comments.

Overall sales for the year to October 1, 1978, were ahead to £56.65m (£47.09m) and taxable profit reached a record £3.72m (£3.16m) as reported December 6. Net margins were, however, lower at 6.6 per cent (6.7 per cent).

BOARD MEETINGS

The following companies have notified date of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals, and the sub-divisions shown below are based mainly on last year's timetable.

TODAY	
Interim: Imry Property	
Finals: Alexander's Discount, Greenfield Investment, Hall Brothers Steamship, Leda Investment Trust	
FUTURE DATES	
Interim: Smit (David S.)	Jan. 23
Sytone	Jan. 29
Vogelstrubel Metal	Jan. 24
Finals:	
From IF: Trust	Feb. 7
Romney	Feb. 15
Smallshaw (R.) (Knotwear)	Jan. 25

was down £250,000 (up £886,000) and capital commitments amounted to £913,000 (£207,000) of which £47,000 (£152,000) had been authorised but not contracted.

The net dividend is raised to 2.37p (2.1225p).

Meeting: Woking, Surrey, February 13 at 2.30 pm.

Sales lower for Leeds & District Dyers

First quarter sales at Leeds and District Dyers and Finishers dipped by 7½ per cent but Mr. A. Mortimer, the chairman, estimated that profits remained steady.

Even so the upheaval caused by the refurbishment of the Scott Rhodes complex was going to remain for the rest of the year, he told the annual meeting.

He, therefore, saw no reason to change his earlier view that profits would be hard to earn in the current year and would fall short of the level in the

previous two years when the pre-tax surplus topped £1m.

He explained that it was quite impossible to give any real indication of the profit achieved during the first three months. His assessment took into consideration all the problems posed by the ending of consequential loss insurance and the costs of re-organisation.

Progress on reshaping at Bellway

CONSIDERABLE progress has been made in obtaining the necessary tax clearances preparatory to plans for segregating the company property development interests from its house-building and associated activities, Mr. John Bell, chairman of Bellway Holdings told yesterday's annual meeting.

He added that the board hoped to submit reconstruction proposals to shareholders as soon as possible with the aim that they would come into effect before the end of May.

Last year the group lifted pre-tax profits from a depressed £139,000 to £3.72m.

United Guarantee

Pre-tax profits of United Guarantee (Holdings) stood at £318,780 in the year to September 30, 1978. In the previous year, profits were £315,585 after extraordinary credit of £118,025.

After tax of £168,757 (£68,779), earnings per 5p share were shown up from 2.494p to 2.847p. The net dividend is raised from 0.181p to 0.202p.

Turnover was down slightly at £4.14m against £4.43m.

Lloyds & Scottish outlook

CONSIDERABLE resources are held by Lloyds and Scottish in all areas of its activities. Even so the extent to which its strengths will be reflected in improved results will much depend on factors outside the directors' controls, George Duncan, the chairman, explains in his annual statement.

Minimum lending rate at 12.5 per cent, the continued rise in the overall cost of funds and the Government's fiscal and monetary policies against inflation, are factors which will not favour the company's operations he says.

The group will, however, benefit from the release of funds following the sale, in December, of British Relay and Wireless and Television for some £81m.

The effect of this sale and the acquisition of Cedar Holdings, now accepted by holders of 97 per cent of the equity, is indicated in a preliminary balance sheet as at September 30, 1978. This puts net assets at an adjusted £560m, against an actual £575.6m, net borrowings lower at £426.8m, compared with a reported £487.8m and investment in televisions on rental and relay networks down from £35.9m to £5.7m.

As reported December 16, group pre-tax profit for 1977-78 climbed from £17.3m to £26.21m on turnover of £181.2m (£159.1m) and the net dividend is raised to 4.40692p (3.9465p).

Though the directors do not regard the Hyde Guidelines on CCA accounting as entirely satisfactory when applied to a predominantly financial company, a supplementary statement on this basis shows profit cut to £22.5m by additional depreciation of £4.5m and extra costs of sales of £0.9m less a gearing adjustment of £1.7m.

Net liquid funds at year-end were down £84.43m (£65.96m) with bank loans and overdrafts up from £16.78m to £27.06m. Reflecting further growth in all areas of the group's financing activities debtors and factored debts were up £141.3m at £479.6m.

Meeting: Hyde Park Hotel, SW, on February 14 at noon.

BIDS AND DEALS

Peak to sell off electronics side

THE electronic interests of Peak Investments "have made a consistent contribution to group profits" says Mr. R. Dingle, a director, in a circular proposing to shareholders that this section of the business should be sold to Nissa, an Irish company 56 per cent owned by Peak's chairman, M. J. Finch.

Mr. Dingle recommends the sale on the grounds that "it is of major importance to the company that there should be a substantial injection of cash."

The circular shows that in the last financial year, the electronics side of the business made a profit before tax, bank interest and group management charges of £108,435 compared with £46,890 for the group as a whole. Proceeds of the sale will amount to Irish £850,000. Net assets of the electronics interests amounted to £300,399 at May 31, 1978. At that date £296,415 was owed by those companies to Peak Investments. This indebtedness will not be transferred to the purchaser.

Mr. Finch and Mr. J. Blouice, the managing director of Peak Electronics who also has a stake in Nissa, have undertaken not to vote at the EGM of Peak at which shareholders will be asked to approve the deal.

On the future of Peak without the electronics business, Mr. Dingle says the company would have sufficient cash resources to enable Peak Trailers to move to more satisfactory premises. After the re-organisation, Peak would consist of Peak Trailers and three income producing investment properties in the Stockport area. Peak's directors believe that there is a good future for the company's products despite the difficult conditions in the last 18 months.

AYRSHIRE METAL
Ayrshire Metal Products is to discontinue the sale and manufacture of office and factory

partitions which has not sold well for some years. It says it has authorised substantial investment in its principal activity at Irvine.

WESTWOOLS/WESTERN LIVESTOCK

Westwools Holdings announced that agreement had been reached with Citicorp Australia, to purchase that company's shareholding of 1.48m shares of 30 cents each in the capital of Western Livestock.

In making the announcement, Mr. F. R. Blakiston, managing director of Westwools, said the purchase price of the shares was 24.5 cents each and represented 43.5 per cent of the issued capital in Western Livestock.

When both Boards have had discussions more specific information will be advised to the respective shareholders.

J. BARRAT TAKEN OVER

The assets and goodwill of J. Barrat the Staffordshire based engineering concern has been acquired by local businessmen in a deal thought to be worth £800,000.

As part of the deal Industrial and Commercial Finance Corporation is to take a 30 per cent stake in the company set up by the businessmen Mr. P. J. Bailey and Mr. A. H. Leonard, to acquire the Barrat's business and will also provide the company with a £400,000 long-term loan facility.

WIMPEY IN BRAZIL

WIMPEY has formed George Wimpey do Brasil to co-ordinate its activities in Brazil. Mr. Peter Cook has been appointed director general based in Rio de Janeiro.

MINING NEWS

Gold output marks time

By Stephen Thompson
SOUTH AFRICAN gold production in 1978 showed only a marginal increase over that of 1977, which was the lowest amount produced for 16 years. The South African Chamber of Mines reports that the December output of 1,760,857 oz brought the year's total to 22,628,995 oz compared with 22,409,486 oz in 1977.

Thus, despite the rise in the gold price from just under \$170 per ounce at the beginning of 1978 to \$226 at the end of the year—it was \$229 on Friday—South Africa's gold production remains at about 700 tonnes a year. The world's second largest producer is the Soviet Union with estimated annual exports of 300-400 tonnes.

Higher gold prices have given the South African mines the opportunity of milling more of the lower grade ore which was previously uneconomic. The resulting production of gold has thus remained fairly static, but earnings have moved sharply ahead despite the continued rise in costs which was of the order of 18 per cent last year.

Dividends have also moved on to the rising trail and the now completed declarations for the second half of 1978 are compared in the following table.

	GOLD DIVIDENDS			
	Dec 1978	June 1978	Dec 1977	June 1977
Blyvoor	*40	33	*30	25
Buffels	*80	110	*60	90
Doornfontein	*20	30	*20	10
Durban	50	nil	nil	nil
E. Dagsb.	*25	20	nil	nil
E. Drie.	75	40	43	35
E.R.				
Prop.	10	nil	nil	*nil
Elsburg	7.8	*5.2	4.55	*3.9
Groenvlei	22	*16	14	*10
Heerston	110	175	*75	70
Kloof	*30	25	*15	15
Libanon	*50	60	*40	40
Marievale	38	*32	24	*22
R'dfont	250	*200	200	*150
S.A.				
Lands	25	*nil	nil	*nil
Southwale	57	nil	21	*1
Stiffn.	50	*16	11	*11
Vaal Rfs.	180	*100	60	*55
Venters	*15	20	*5	5
Vlakfont.	10	*nil	15	*10
W. Areas	12	*8	7	*6
W. Drie	*20	250	*135	145
W. Deep	82.5	*45	47.5	*35
W.R.				
Cons.	10	*7.5	10	*3
Zandpan	*18.6	29.5	*12	11.5

*Notes interim.
†Including capital return of 5 cents

SIMCO MONEY FUNDS		
Saturn Investment Management Co. Ltd.		
66 CAN NON STREET LONDON E6A 6AD		
Telephone: 01-296 1425		
Rates paid for W/E 21.1.79		
	Call	7 day
	% p.a.	% p.a.
Mon.	11.143	11.487
Tues.	11.125	11.463
Wed.	11.696	11.485
Thurs.	11.471	11.492
Fri./Sun.	11.314	11.467

ISSUE NEWS

Offer for sale by Caledonian

The prospectus is published today in connection with the offer for sale of Caledonian Holdings, £1.62m, leasing and three formerly Stenhouse Industries. Proceeds will amount to about £1.94m net and will initially be used to reduce Stenhouse Group's borrowings and to create additional liquidity.

The offer for sale—by Noble Grosvenor, of 10m ordinary shares of 25p each at a price of 65p per share. In order to assist Stenhouse shareholders to retain an interest in Caledonian, preferential consideration will be given to applications from such shareholders "in respect of a maximum 1m shares."

The directors of Caledonian are not making a forecast for the current year to September 30, 1979, but say they are confident of being able to report "satisfactory" results. However, assuming a 10 per cent increase on last year's £2,443,000 pre-tax, the company is coming to the market on a prospective fully-taxed p/s of 5.0. On the forecast dividend of 4.75p net the yield is 10.9 per cent.

Caledonian is a diversified consumer products group with about a third of profits coming from engineering products, about 30 per cent from jewellery, just over a quarter from home improvement products and the balance from ladies' hosiery.

Most of the present trading subsidiaries were formerly part of John Wallace and Sons. The group currently employs some 2,800 people.

Since 1974 Caledonian's sales have grown from £22m to £41m for the year ended September 30, 1978.

Profits in 1974 amounted to £1,662,000, fell back slightly over the next two years but then recovered to £2,024,000 in 1977, rising to £2,443,000 the following year.

At September 30, 1978 shareholders' funds stood at £6,991,000 representing a net asset value of 68.81p per share.

Mr. R. S. Burns, Caledonian's chairman, reports that there was a good start to the current year, particularly in the home improvement division. For the long term he believes the company can maintain a good return on capital employed.

At December 31, 1978 the company's indebtedness stood at £3.56m, including outstanding £2.56m, secured bank overdrafts of £300m, with Morgan Guaranty £0.6m, secured vehicle stocking. Trust Company of New York for finance of £0.23m, acceptance credits of £0.5m, secured loans, March 20 1979.

of £58,012, unsecured loans of £27,583, unsecured loan stock of £1.62m, leasing and three purchase commitments of £0.25m and guarantees of £0.22m. In addition Caledonian owed £0.33m on current account to Stenhouse. Brokers to the issue are W. Greenwell and Co. and Parsons Application list opens and closes on Thursday.

As part of Stenhouse, Caledonian's profits record over the last five years has been erratic, said "unspecularly." Caledonian is certainly no glamour stock. Basically, the company is an industrial conglomerate with an unusual mix of activities—a factor which makes comparisons difficult. The engineering side—the largest single division—is not a star performer, in spite of being involved in the motor and domestic appliance industries, both of which have been buoyant recently. Also, the offer should go well because of the well-covered headway on the back of the DIY boom. Overall, assuming a £2.7m pre-tax outcome this year, the prospective fully-taxed p/s ratio reflects the exciting nature of the offer should go well because of the well-covered yield of 10.9 per cent, ensuring a small premium.

FT Share Service

The following securities have been added to the Share Information Service appearing in the Financial Times (Section: Drapery and Stores): Northern Goldsmith (Section: Drapery and Stores).

NEW LOAN FOR ALLIANCE INV.

Alliance Investment Company has arranged a new loan of £300m with Morgan Guaranty Trust Company of New York for a period of about two months to March 20 1979.

High demand, improved performance:

Highlights of a successful 12 months for Lloyds and Scottish

The Group, one of the country's leading Finance Houses, benefited from improved performance in most of its activities, particularly instalment credit and leasing, and from the relatively lower average cost of money—3.5 percentage points below the average rate over the previous 12 months.

and the UK factoring subsidiary of the Bank of America.

The Bank of England minimum lending rate now stands at 12.5% and the overall cost of funds continues to rise. The Government has committed itself to restraining inflation through its fiscal and monetary policies and we are informed that 'The Corset' will remain in force until at least June 1979. These are factors which will not favour our operations.

Pretax profits up over 50% to £26.2m

Demand for financing was high and the Instalment Credit and Leasing Division increased profits significantly. Associated companies and joint ventures—where Lloyds and Scottish forms partnerships with major national and international manufacturers and retailers, and helps to finance their consumer sales—are proving to be a major source of strength for the Group.

Maximum permitted dividend (total 4.40692p, covered 2.95 times)

Although the profits of British Relay Wireless and Television Ltd. improved, this company has continued to yield an unsatisfactory return despite reorganisation and strengthened management. Since the year end, the company has been sold to Electronic Rentals Group Ltd.

Also following the year end, Lloyds and Scottish has made an offer totalling £9.6m, which has now become unconditional, to acquire Cedar Holdings Ltd. This will give the Group a strong base in the UK's growing personal finance market and complement the Group's other financing activities.

Earnings up from 9.31p to 13.07p per share

We shall, however, benefit from the release of funds following the sale of BRW and I am confident that, in spite of the constraints imposed upon us, we shall continue to take full advantage of such opportunities as exist for improving our performance in the interests of our shareholders.

Instalment and factored debtors increased by 43%

In the Industrial and Commercial Division, the factoring companies performed particularly well. Caledonian Tractor and Equipment Co. Ltd. suffered the only significant profit reduction, due to low demand for earthmoving equipment in Scotland.

During the year, the Group made a number of acquisitions, including a 50% interest in RIGP Finance Ltd. (credit finance for motorcycle sales)

Gross assets exceed £700m

On future prospects, the Chairman, Mr. G. Duncan, makes the following comment in his statement to shareholders. "Lloyds and Scottish has considerable resources in all the areas in which it is involved, but the extent to which its strengths will be reflected in improved results will depend, in large measure, on factors outside our control."

For a copy of the accounts to 30th September 1978, please complete this coupon and post it to:
The Secretary, Lloyds and Scottish Limited,
8/9 Chesterfield Hill, London W1X 7RG.
Telephone: 01-491 3236.

Name: _____
Address: _____

FT



Lloyds and Scottish Limited

INTNL. COMPANIES and FINANCE

UK PENDING DIVIDENDS and NEW ISSUES

Grace offer for Daylin poses problem for Narco

BY JOHN WYLES IN NEW YORK

DAYLIN INC. the target of a \$380m bid by the W. R. Grace group is expected to make further strenuous efforts this week to pull off a \$68.4m merger with Narco Scientific...

acquire Narco is sparking suspicions that its main purpose is to acquire Daylin's cash reserves. Moreover, many think a higher offer from Grace is likely.

Without such certainty, we think it unwise to risk the likelihood that our shareholders will lose an otherwise attractive offer from Narco.

Banking collapse averted in Spain

By Robert Graham in Madrid

THE GOVERNMENT and the banking community have stepped in to avert the collapse of a small family-owned industrial bank, Banco de Granada...

This is the fourth time since the formation of the Corporacion Bancaria last February that it has been obliged to take over an ailing bank.

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table.

Table with columns: Date, Announcement last year, Company Name, Dividend Amount, etc.

RECENT ISSUES

Table with columns: Issue Price, Stock Name, Dividend Yield, etc.

Table with columns: Issue Price, Stock Name, Dividend Yield, etc.

Troubles in discount sales division add to Food Fair loss

PHILADELPHIA—Food Fair, which is operating under Chapter 11 of the Bankruptcy Law, is expected to report for fiscal 1978 a loss of about \$52.5m, compared with a year-ago profit of \$7.4m.

Food Fair said the final report for fiscal 1978 should be ready in about four to six weeks.

The company also said its auditors plan to disclaim an opinion on that earnings statement, primarily due to their inability to rely on the adequacy of the internal accounting controls of the J. M. Fields division.

BASE LENDING RATES

Table listing various banks and their base lending rates, such as A.B.N. Bank, All-Ireland Bank, etc.

CLIVE INVESTMENTS LIMITED

1 Royal Exchange Ave., London EC3V 3LU. Tel: 01-283 1101. Index Guide as at January 9, 1979 (Base 100 on 14.1.77)

SEC to investigate bid

WASHINGTON—United Technologies Corporation said that the Securities and Exchange Commission is investigating its tender offer for Carrier Corporation to see if any violations of securities laws are involved.

The Justice Department, citing alleged anti-trust violations, has filed suit to block the takeover, and United Technologies is now under a temporary restraining order barring it from further purchases of Carrier Stock.

The decision to intervene in the case of Banco de Valladolid and its subsidiary is understood to be the result of strong political pressure from the Government...

CURRENCIES, MONEY and GOLD

A tale of two evils

Interest rates in the strongest economy in Europe—West Germany—have moved in the opposite direction from most other countries on the Continent last week, illustrating some of the problems of running such an economy...

The French move was purely technical, while many of the others were a reaction to trends which have been developing for some weeks.

In Frankfurt the tightening of credit was largely caused by the sharp growth in Germany's broadly defined money supply last year, to an annual rate of 11.1 per cent, against a target of 8 per cent.

Table with columns: Jan. 19, Jan. 18, Gold Bullion (fine), etc.

Record saving funds total

A RUSH by high-rate taxpayers to invest in the 14th issue of National Savings Certificates before they are withdrawn helped the National Savings Department's total funds under management by £75.17m last month to a record £10.93bn.

THE POUND SPOT AND FORWARD

Table with columns: Jan. 19, Day's spread, Close, etc.

OTHER MARKETS

Table with columns: Jan. 19, Argentina Peso, Australia Dollar, etc.

EXCHANGE CROSS RATES

Table with columns: Jan. 19, Pound Sterling, U.S. Dollar, Deutsche Mark, etc.

THE DOLLAR SPOT AND FORWARD

Table with columns: Jan. 19, Day's spread, Close, etc.

LONDON MONEY RATES

Table with columns: Jan. 19, 1979, Sterling Certificates on deposit, etc.

MONEY RATES

Table with columns: NEW YORK, Prime Rate, Fed. Funds Rate, etc.

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.

45 Cornhill, London, EC3V 3PB. Tel: 01-623 6314. Index Guide as at January 18, 1979

Silverthorne Group Limited

Table with columns: Year to 1st October 1978, 1977, Turnover, Profit before tax, etc.

GESTETNER HOLDINGS LIMITED

THE ANNUAL GENERAL MEETING will be held at 10.30 a.m. on 5th March, 1979 at the Gestetner offices (Tottenham Hale entrance) London N17 9LT for the purposes of:

UCOBANK HAS MOVED

from TODAY United Commercial Bank has moved into 2nd Floor, Lee House London Wall London EC2Y 5DT

Annual General Meeting: 15th February, 1979.

MARTIN the newsagent limited

Profits again a record at over £3 million for 1977/78. Mr. J. B. H. Martin, Chairman, reports:

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 26.1.79.

Despite continued disruption of the newspaper industry...

At least £2 million planned to be spent on additional retail outlets during 1978/79. 500th branch recently opened.

Sales for the first nine weeks of the current year show an increase of 16% and we expect a material improvement in profits for 1978/79.

INSURANCE APPOINTMENTS WORLD STOCK MARKETS

Judgment pact talks raise legal worries

INSURERS—companies and Lloyd's underwriters—are waiting for yet another draft of the much discussed Reciprocal Judgments Convention with the U.S. first proposed, if memory serves correctly, in 1976. The fear is that when this new draft appears, they and other opponents of the convention (principally the Confederation of British Industry and the Lawyers' Association) will have all too little time in which to gather support, whether for previously stated fundamental opposition or for further detailed amendments if opposition is not to be headed.

Reciprocity

In theory a reciprocal judgments convention seems a fair and reasonable way of ensuring that a litigant in State A in possession of a judgment in its courts can enforce that judgment quickly and easily in State B; and vice versa.

The essence of such conventions, of which many exist worldwide, is reciprocity. But reciprocity does not just mean "I will enforce yours," implicit in reciprocity is the requirement that the legal processes of the contracting states are of comparable quality and that the judgments are of comparable worth.

If they are not, if the legal process is, say, plaintiff-oriented in State A and defendant-oriented in State B, the proposed convention of State A award much greater injury compensation than do those of State B; if the courts of State A claim jurisdiction in disputes which for all practical purposes are outside its geographical or commercial orbit, while those of State B do not; then there is no reciprocity.

WALL STREET

Table with columns for 1978-79 High/Low, 1979-79 High/Low, and Jan. 19. Lists various stocks and their prices.

Trafalgar House subsidiary post

Mr. R. J. Cherny has been appointed managing director of YOUNG AUSTEN AND YOUNG the building services subsidiary of the Trafalgar House UK building division.

Mr. R. Beardmore has been appointed a director of MONMORE TUBES, part of the tube division of Ductile Steels and Mr. T. D. Morris has joined DUCTILE SECTIONS as director and general manager.

Mr. C. G. Porter, joint managing director of Travis and Tait, has succeeded Mr. L. C. Robey as chairman of ASSOCIATED BUILDERS MERCHANTS.

Mr. G. C. Knapwick retires as chairman and member of the Board of the ROYAL NETHERLANDS AIRCRAFT FACTORIES on February 1. At the same time he will withdraw from his various appointments with the subsidiary companies of the FOKKER GROUP, but will continue as consultant to the supervisory Board. Mr. F. Swartwout has been nominated as the new chairman of the Fokker Board of management.

Mr. Michael Gill, previously divisional manager, is appointed agricultural division director of the AEA/CUS GROUP. Mr. J. W. Pratt becomes chairman and managing director of the parent holding company and Mr. Geoffrey Hall has been made managing director of Abacus Municipal and deputy managing director of Abacus Holdings. Mr. J. R. Cordey is appointed deputy managing director of Abacus Municipal.

Mr. John Franklin has been elected to the Board of INCENTIVES as a non-executive director.

Mr. Michael J. Allwood has been elected director designate of BROWN JENKINSON AND CO.

Mr. Jim Alexander has been appointed managing director of COOPER HEALTH PRODUCTS the UK subsidiary of Cooper Laboratories Inc. He also becomes vice president of the Cooper international division—in charge of European operations.

Mr. Ray Jurich, the previous UK managing director, becomes president of COOPER LABORATORIES INTERNATIONAL INC.

Mr. Alan Packham has been appointed an associate director of GRINDLAY BRANDT'S INSURANCE BROKERS with responsibility for the servicing of clients of the group's UK non-marine business. Mr. Norman Ravenhill has also been made an

associate director and is responsible for the development of the group's UK business.

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INDICES

NEW YORK—DOW JONES

Table showing Dow Jones Industrial Average and other indices for 1978-79 and 1979-79.

Table showing Standard and Poors indices for 1978-79 and 1979-79.

Table showing various indices for 1978-79 and 1979-79.

EUROPE

AMSTERDAM

Table showing Amsterdam stock market prices for various companies.

BRUSSELS/LUXEMBOURG

Table showing Brussels/Luxembourg stock market prices for various companies.

COPENHAGEN

Table showing Copenhagen stock market prices for various companies.

VIENNA

Table showing Vienna stock market prices for various companies.

GERMANY

Table showing German stock market prices for various companies.

MILAN

Table showing Milan stock market prices for various companies.

OSLO

Table showing Oslo stock market prices for various companies.

PARIS

Table showing Paris stock market prices for various companies.

WORLD STOCK MARKETS

N.Y.S.E. ALL COMMON

Table showing NYSE All Common stock market prices for 1978-79 and 1979-79.

MONTECARLO

Table showing Monte Carlo stock market prices for various companies.

ZURICH

Table showing Zurich stock market prices for various companies.

STOCKHOLM

Table showing Stockholm stock market prices for various companies.

SWITZERLAND

Table showing Swiss stock market prices for various companies.

BRASIL

Table showing Brazilian stock market prices for various companies.

JOHANNESBURG

Table showing Johannesburg stock market prices for various companies.

AUSTRALIA

Table showing Australian stock market prices for various companies.

INDUSTRIALS

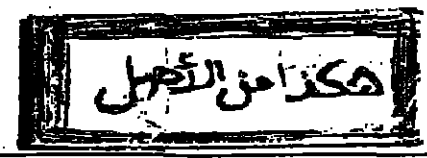
Table showing industrial stock market prices for various companies.

SECURITIES RAN U.S. \$0.62

Table showing securities prices for various companies.

NOTES: Overseas prices exclude S. premium. Belgian dividends are after withholding tax. ...

INTERNATIONAL CAPITAL MARKETS



INTERNATIONAL BONDS

BY FRANCIS GHILES

Unease over weakening dollar

WHILE EURODOLLAR bond prices gained some useful technical support last week, the international bond markets as a whole remained uneasy. The underflow in U.S. money supply growth and a slight easing in short-term Eurodollar rates created short-covering by dealers. But dollar bond prices were not able to sustain their advance and the dollar itself showed ominous signs of weakness in currency markets. The only new dollar issue is a \$100m 12-year bond by the European Investment Bank, 80 per cent of which will be placed in Japan. As with a similar offering last August, the coupon will be announced when the bonds are priced. However, under present market conditions, an overall 9.75 per cent annual yield is expected. The \$200m 10-year warrants issue for Bayer continues to be a major market talking point. Some big Swiss banks indicate that retail demand for the offering is sizeable. The reaction elsewhere in markets seems quite muted, however. This latter assessment was reflected in pre-market quotations for the issue, which was indicated early in the week at a discount of less than 1-1/4, before widening last Friday to less than 1-1/2. Deutsche-Mark prices were off by about a point on the week, in the wake of the Bundesbank monetary measures which are expected to drain about DM30m in domestic liquidity. The net result on the German measure, coming in a week which saw renewed nervousness in foreign exchange markets about the effectiveness of last November's dollar package, will be to push up German domestic interest rates and, by implication, increase the cost of borrowing in the foreign DM market. Of the DM issues priced last week, greatest demand was recorded for the Nippon Telephone and Telegraph bond, which was priced at par instead of an indicated 99 1/2. Westdeutsche Landesbank cancelled two issues but not because of disagreement with the borrowers. One of the planned bonds, a DM 40m private placement for a Spanish motorway company, was delayed because of difficulties related to withholding tax. The other issue, for a Brazilian borrower, was delayed as another Brazilian entity, Electrobras, is expected to announce a DM offering this week. The Brazilian authorities apparently wanted to avoid having two issues in the market at the same time. After the success of the Peugeot-Citroen issue, which was increased to FFf 175m and priced at 100 1/2, another French Eurobond is expected very shortly, possibly for a European institution. Apart from three new issues, the event of the week in the Swiss Franc sector was the announcement of the terms of the Carter bonds: the shorter tranche was three times over-subscribed while the longer bonds were twice. The U.S. Treasury accepted subscriptions of SwFr 1.247bn for the 2 1/2-year notes and SwFr 768m for the 4-year bonds. It appears likely that well over half the total issue went to the three big Swiss commercial banks.

game is that the average warrant is worth 30 per cent of its exercise price — assuming that this is in line with the current share price. The Bayer warrant costs half this. Discounting at 5 per cent per annum and taking the ten-year view, Bayer shares will have to rise by just DM 35 over this period to justify investment in the warrant today. Without major attempts at restricting import growth, the current account deficit for the developing nations would widen from 1978's \$34bn to \$47bn this year and \$66bn next year, Amex forecasts. The net effect would be substantial reductions in LDC holdings of international reserves — by \$3.5bn in 1979 and \$12bn by 1980. By the end of 1980 LDC stocks of international reserves will be approximately \$50bn, enough to finance only 2.7 months of the yearly import bill, signifying a return to the depressed levels of 1975," the forecast says. High U.S. interest rates, slower monetary expansion and tightening of U.S. banks' liquidity indicate that the supply of funds in the Euro-markets on present terms and margins will become restricted. As the asset portfolio mix changes, the amount issued in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

CURRENT INTERNATIONAL BOND ISSUES

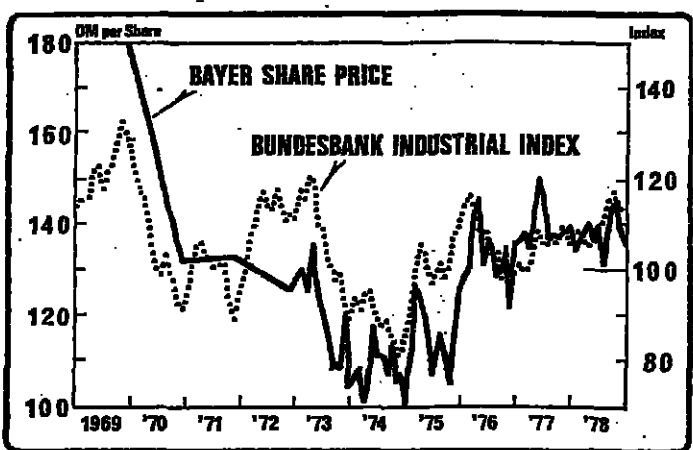
Table with columns: Borrowers, U.S. DOLLARS, D-MARKS, FRENCH FRANCS, SWISS FRANCS, AUSTRALIAN DOLLARS. Includes details on amount, maturity, av. life, coupon, price, lead manager, offer yield.

BAYER BOND

BY NICHOLAS COLCHESTER

Sizing up the warrants

BRITISH entrepreneur Jim Slater used to argue that if investors wanted to give him money for the right to give him more money later, then that seemed a good deal to him. He was talking of warrants, and warrants were the talks of the Eurobond market last week. By offering warrants Bayer is paying only 7 1/2 per cent for \$200m for ten years — some 2 1/2 per cent less than the return investors would otherwise demand. Assuming that the warrant bonds will settle at a price of 94 of so, the investor is being asked to pay \$160 per \$100 bond for the right to buy 13 Bayer shares at DM 136 for the next ten years. Is it worth it? The record of the last ten years shows that Bayer's share price has not risen at all. Beyond static earnings, there has been a dilution over the decade of 35 per cent in earnings per share. The number of shares outstanding has risen to 48.8m from 33.1m since 1969 — the year of the last Eurobond with warrants attached. This new warrant issue implies a potential for a further 2.6m shares. The Bayer share-price, and the warrant exercise-price, have reflected these developments — DM 200 in 1969 compared with DM 136 today. The warrant purchaser is supposedly protected against rights issues and the like by an anti-dilution clause. The warrant exercise price should be adjusted downwards as the share capital expands. In practice, the 1969 exercise price has remained unchanged. In the case of both the old warrant issue and the new one, the Bayer management can avoid price adjustment by offering warrant holders subscription rights to rights issues. Against this unexciting background must be set the fact that Bayer has assigned a conservative value to the new warrant: around DM 22 to buy each Bayer share at the current price for the next decade. The crude rule of thumb in the warrant



placé à much higher margins, Amex argues. It projects gross medium-term LDC Euroborrowing this year at \$16bn, rising to \$20bn in 1980, compared with 1978's figure of \$20bn. However, established credit lines are heavily concentrated among a handful of countries, with Brazil and Mexico alone taking more than 40 per cent of total LDC Euroborrowing last year, it adds. Not all LDCs can be sure of solving their liquidity problems by such borrowings.

U.S. BONDS

BY DAVID LASCELLES

Events without pattern

ALTHOUGH BOND prices weakened most of last week, in reaction to unfavourable news here and abroad, market observers confess to some perplexity about where events are leading. In the past seven days, they had to make sense of the following events: Fed chairman William Miller's warning that 1979 must be a year of austerity; news that the economy measured by GNP and housing starts is still surging ahead; a Bundesbank estimate that \$50bn was spent last year propping up the dollar; and finally the easing of the money supply, confirmed by the latest Fed figures. Although Mr. Miller's words gave bond prices a knock, they also reassured those who feared the central bank lacked the grit to go through with its fight against inflation, which is the major worry. The White House made much of the economy's strength as shown by the 6.1 per cent annual growth rate in the 1978 last quarter, but many people saw this as bad news for credit and prices, particularly since wages are still rising faster than pro-

MEDIUM-TERM LENDING

Recessionary threat to the capital markets

THE SEVERE recession facing the U.S. threatens to re-awaken several of the liquidity problems of the mid-1970s for the international capital markets, according to economists at Amex Bank. A major danger arising from slowing Western growth is that renewed economic pressures will be exerted on the less developed countries (LDCs), propelling some of them into acute liquidity crises. These predictions, made in Amex's latest report, represent an effort to chart the course of the credit markets in the light of global economic downturn. An American GNP growth rate of 1 per cent this year, accompanied by a slowdown in overall OECD growth, implies a deteriorating trade balance for the LDCs, particularly if a rise in manufactured goods prices of 8 per cent compared with a rise in primary commodities of only 6 per cent is assumed. On this basis the overall growth of the developing world is expected to fall from a current 7 1/2 per cent in 1977 and 1978 to 5 per cent

BY JOHN EVANS

place at much higher margins, Amex argues. It projects gross medium-term LDC Euroborrowing this year at \$16bn, rising to \$20bn in 1980, compared with 1978's figure of \$20bn. However, established credit lines are heavily concentrated among a handful of countries, with Brazil and Mexico alone taking more than 40 per cent of total LDC Euroborrowing last year, it adds. Not all LDCs can be sure of solving their liquidity problems by such borrowings.

FT INTERNATIONAL BOND SERVICE

Table with columns: U.S. DOLLAR STRAIGHTS, DEUTSCHE MARK STRAIGHTS, YEN STRAIGHTS, OTHER STRAIGHTS, FLOATING RATE, CONVERTIBLE BONDS. Lists various bond issues with their terms and prices.

MONEY! — MONEY! — MONEY! Your essential Guide to the real cost of Living Abroad. LIVING COSTS OVERSEAS. A GUIDE FOR BUSINESSMEN. Published by the Financial Times Publishing Ltd. Includes contact information and a coupon for a free copy.

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Table of Authorised Unit Trusts with columns for fund name, manager, and performance metrics.

Table of Offshore and Overseas Funds with columns for fund name, manager, and performance metrics.

INSURANCE AND PROPERTY BONDS

Large table of Insurance and Property Bonds listing various policies, companies, and terms.

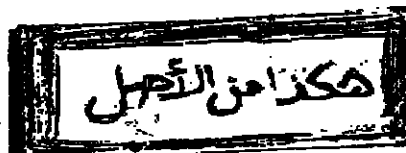
Table of Offshore and Overseas Funds (continued) with columns for fund name, manager, and performance metrics.

CORAL INDEX: Close 476.481

INSURANCE BASE RATES

Table of Insurance Base Rates with columns for policy type and rate.

مركز التأمين



Caledonian Holdings Limited

Offer for Sale by Noble Grossart Limited

of all of the 10,000,000 issued ordinary shares of 25p each at 65p per share payable in full on application

BRIEF INFORMATION

The following information is taken from the full text of the Offer for Sale and accordingly must be read in conjunction with that text:

Ownership

Caledonian Holdings (formerly Stenhouse Industries Limited), or its predecessor company, has been a wholly owned subsidiary of Stenhouse Holdings since 1970.

Activities

The Caledonian Holdings group is a diversified consumer products group with activities in home improvement, jewellery, engineering and ladies' hosiery.

Turnover and pretax profit

Years to 30th September	1974	1975	1976	1977	1978
Turnover (£000)	22,765	26,115	31,064	36,885	41,937
Pretax profit (£000)	1,662	1,565	1,545	2,024	2,443

Issued share capital

£2,500,000 in 10,000,000 ordinary shares of 25p each

Pro forma shareholders' funds at 30th September 1978

Shareholders' funds	£6,991,000
Shareholders' funds per share	69.91 p

Offer for Sale price

65p
Value of issued share capital at the Offer for Sale price £6,500,000

Illustrated earnings per share based on (a) the above

pretax profit for the year to 30th September 1978 and (b) corporation tax at 52%

11.73p

Price earnings multiple based on (a) the Offer for

Sale price and (b) the above illustrated earnings per share

5.54 times

Forecast dividend per share (including the related

tax credit at the current rate) for the year to 30th September 1979

7.09p

Gross equivalent dividend yield based on (a) the

Offer for Sale price and (b) the above forecast dividend per share

10.91%

Authorised SHARE CAPITAL Issued

£3,000,000 In 12,000,000 ordinary shares of 25p each £2,500,000

The ordinary shares now offered will rank in full for all dividends hereafter declared or paid on the ordinary share capital of Caledonian Holdings.

Indebtedness

At close of business on 31st December 1978 Caledonian Holdings and its subsidiaries (the Caledonian Holdings group) had outstanding unsecured bank overdrafts of £604,655, secured vehicle advance finance of £227,466, acceptance credits of £500,000, secured loans of £88,012, unsecured loans of £37,553, unsecured loan stock of £1,037,643, leasing and hire purchase commitments of £246,033 and guarantees of £215,117. In addition, the Caledonian Holdings group owed £334,181 on current account to Stenhouse Holdings and its subsidiaries at 31st December 1978. Save as aforesaid and apart from inter company borrowings and guarantees within the Caledonian Holdings group, neither Caledonian Holdings nor any of its subsidiaries had outstanding at the date any loan capital, mortgages or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills), or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.

The principal operating companies in the home improvement division are Timberland Limited ('Timberland') and Ideal Timber Products Limited ('Ideal Timber').

Timberland, whose head office is in Edinburgh, is one of the largest retailers of home improvement and do-it-yourself products in the UK. We estimate that it accounts, nevertheless, for only some 1% of this expanding market. The product range comprises kitchen and other furniture, paint and wallpaper, timber, flooring, hardware, garden equipment and building materials. A substantial part of the furniture, paint and hardware ranges is sold under Timberland's own brand name.

Timberland sells through 2 types of outlet shops, mainly high street shops, trading as 'Timberland', and retail warehouses trading as 'Big T Timberland'. Nearly all Timberland's shops and retail warehouses are on short term or medium term leases. This has the advantage of permitting rapid expansion within the financial resources available but it does inevitably involve rent reviews. Current practice on new leases is to establish reviews at 5 yearly intervals.

There are 63 shops with selling space ranging in size from 700 sq. ft. to 7,500 sq. ft. and these currently account for just over 50% of Timberland's turnover. 16 shops are in Scotland and the remainder are in England. Timberland's policy is to close small shops and to acquire larger units. There are 13 retail warehouses ranging in size from 9,000 sq. ft. to 33,000 sq. ft. These have the advantage of offering considerably lower rental costs and also of car-parking facilities for customers. 9 of the retail warehouses are in Scotland and 3 are in England. The earlier warehouses were fitted out at a minimum of cost, but recent openings have been fitted out to a much higher standard which includes display settings to allow the customer to see the full potential of the various products.

The first retail warehouse was opened at Renfrew, near Glasgow, only some 3½ years ago. We have made rapid progress since then and further growth should be achieved with the opening shortly of 4 new warehouses at Grimsby, Sunderland and Sheffield which will add a further 61,000 sq. ft.

Timberland sells on a cash basis. It also offers hire purchase facilities through a finance house. Timberland has a strong presence in Scotland. Just under 50% of sales come from the 16 shops and 9 warehouses in Scotland. This coverage enables cost effective advertising both in the press and on television. We feel that Timberland is well placed to increase its share of the highly competitive but expanding home improvement market. There is particular opportunity for expansion in England where our presence is very conspicuous.

Timberland's furniture sales account for approximately 40% of its total sales, and are therefore a very important part of its business; 80% of Timberland's furniture is produced at the group's own factory trading as Ideal Timber Products Limited. Ideal Timber's 177,000 sq. ft. factory and warehouse at Dumbarton are modern, with plant and machinery designed to produce a range of melamine-faced or painted chipboard furniture, primarily kitchen units. Production is currently running at some 6,000 units per week, 5,000 of which are kitchen units, and the remainder largely chests of drawers, bedside cabinets, desks and lounge units. All products are packed in easily transportable cartons in kit form ready for customer assembly, a method of improvement in the furniture market.

Virtually all of Ideal Timber's non kitchen unit production is sold through Timberland. In the last financial year 53% of Ideal Timber's sales was to Timberland and the remaining 47% was sold outside the Caledonian Holdings group, either to distributors or directly to builders' merchants. To service these outside customers, Ideal Timber has a small national sales force of 18 representatives. The kitchen units made by Ideal Timber sold under the brand names of 'Pacemaker', 'Passport' and 'Compass'. In April 1978 a new melamine-faced kitchen unit range called 'Calypto' was introduced to the Timberland outlets, and sales to date have substantially exceeded our expectations. This range was designed to enable customers to make their own choice of door and drawer finish which can then be attached to a standard unit.

Ideal Timber has some 2% of the total UK market for kitchen units and approximately 5% of the self assembly market. Ideal Timber works closely with Timberland and should benefit from the planned expansion of that company. We are nevertheless conscious of the need to keep abreast of current innovations and designs within the furniture market generally.

The home improvement division also has a 9,300 sq. ft. silk-screen printing factory in South London, trading as Express Publicity Limited. This small commercial company makes sales tickets and posters.

Although 1978 showed only a modest increase in the profits of this division, trading in the current year has started well and sales for the first 2 months are significantly above those for the same period last year. We are confident that our continuing policy of expansion will show benefits in profit terms in the future.

JEWELLERY DIVISION

Years to 30th September	1974	1975	1976	1977	1978
Turnover (£000)	5,226	6,383	6,317	8,475	9,044
Profit before central costs, interest and tax (£000)	843	941	600	961	880

The jewellery division is one of the leading manufacturers in the UK of precious jewellery in the popular price range. Its main products are wedding rings, engagement rings, signet rings, earrings, pendants, bracelets, lockets, cufflinks, charms and simulated and cultured pearls. Designs are in the main traditional, but new ranges are produced at frequent intervals to take account of fashion changes.

Production is at 4 incisions: Hatton Garden in London, central Birmingham, King's Norton near Birmingham and Leamington Spa. The total area of these factories is approximately 55,000 sq. ft. The King's Norton and Leamington Spa factories, which are freehold, are purpose built jewellery factories and have space for expansion. The existing central Birmingham location is an old building in the established jewellery area of the city and we have recently agreed to lease, as an alternative, a new building which is directly opposite. The jewellery industry is still craft orientated and is thus not plant intensive. We believe that we are well equipped as any of our competitors.

Sales to retail jewellers account for some 90% of total sales and the remaining 10% is to leading mail order houses. We have over 2,750 active retail accounts, serviced by a national and international sales force of 33 representatives. Retail customers include most of the major retail jewellery groups.

The jewellery division comprises 6 companies, 4 of which are involved in both manufacturing and selling, and 2 are devoted solely to export marketing. Export sales account for approximately 13% of total sales.

Jewellery manufacture requires the use of significant quantities of precious metals and stones. At 30th September 1978 the value of the jewellery division's stocks was £2.2 million. Inevitably, the financial performance of the division is affected by the movements in the values of the commodities which it uses and, while the broad trend of prices in recent years has been upwards, there have been sharp short term fluctuations, particularly in the price of gold. This has resulted in customer demand switching to products with a lower gold content and this has led to a consequent squeeze on gross profit margins. We remain very conscious of the need to maintain a balance between the range of choice we must offer to our customers and the financial implications of large stockholdings.

The jewellery division had a difficult year in 1978 with profits down by about 8% compared with the previous year. This reflected in part a weakness in demand from mail order houses, although there was an improvement in demand towards the end of the year. We expect profits of the jewellery division for the current financial year to be better than those of last year.

With an efficient manufacturing operation and close trading links with most of the major retail jewellery groups we are confident of the longer term future for the jewellery division. We have to recognise, however, that the long term growth of the division is largely dependent on the growth in overall demand for jewellery products within the UK.

ENGINEERING DIVISION

Years to 30th September	1974	1975	1976	1977	1978
Turnover (£000)	6,295	6,934	8,542	10,952	12,500
Profit before central costs, interest and tax (£000)	652	616	679	880	923

The engineering division comprises 7 trading companies. The largest profit contributor within the division is Polaroid Limited ('Polaroid') which for the year to 30th September 1978 earned a profit of £418,000 before central costs, interest and tax. Polaroid produces and fabricates metal pressure for the motor and domestic appliance industries; it is based at Congleton in Cheshire, where it has a 180,750 sq. ft. factory complex which is mainly purpose built. Excluding motor vehicle manufacturers, this company has one of the largest pressing plants in the UK with a total of over 100 presses of wide ranging size and capacity. Polaroid's principal customer is Ford Motor Company Limited whose car, truck and tractor divisions purchase fuel tanks, body panels, pulley assemblies and other smaller components. These 3 divisions of Ford have been customers for over 30 years, and last year accounted for 55% of turnover. Polaroid also makes components for washing machines and gas fires. We believe that the extensive production facilities of Polaroid will enable it to maintain an efficient service to customers. This should create a strong base for the future but we recognise that the progress of Polaroid will be largely dependent on the requirements of major customers.

There is a small subsidiary which is also based at Congleton, Tropical Packers (Cheshire) Limited, which manufactures wooden packing cases.

DIRECTORS

William Roy Burns (chairman and managing director), 2 Stenhouse Road, Gorgie Road, Edinburgh EH11 3LS.
James Robson Conway, P.O. Box 15, Birch Road, Broadmeadow Industrial Estate, Dumbarton G82 2RG.
Herbert Verduin Maxfield, Bath Vale Works, Congleton, Cheshire CW12 2HD.
Brian Abraham Neiman, 190 Tachbrook Road, Leamington Spa, Warwickshire, CV31 3EL.
Norman Somerville Macfarlane (non-executive), Clansman House, Sutcliffe Road, Glasgow G13 1AH.
Richard Geoffrey Newbery (non-executive), 4 Clarkwood Close, Wiswell, Whalley, Blackburn, Lancashire BB6 9BX.

Secretary and registered office

Norman Alexander Macleod CA, 2 Stenhouse Road, Gorgie Road, Edinburgh EH11 3LS.

Auditors and reporting accountants

Thomson McLintock & Co. Chartered Accountants, 216 West George Street, Glasgow G2 2PF.

Solicitors

Boyd, 36 Renfield Street, Glasgow G2 1ND.

Brokers

W. Greenwell & Co. Bow Bells House, Bread Street, London EC4M 9EL.
Parsons & Co. 100 West Nile Street, Glasgow G1 2QU.

Property valuers

Richard Ellis, Trafalgar House, 75 Hope Street, Glasgow G2 6AJ.

Bankers

Bank of Scotland, 165 West George Street, Glasgow G2 2JR.
Noble Grossart Limited, 48 Queen Street, Edinburgh EH2 3NR.

Registrars and receiving agents to the Offer for Sale

Bank of Scotland, 26A York Place, Edinburgh EH1 3EY.

Loan stock registrars

Thomson McLintock & Co. 216 West George Street, Glasgow G2 2PF.

The engineering division has 2 factories in Glasgow. One of these specialises in the fabrication of stainless steel sanitary ware. The other supplies and installs electrically heated storage tanks for bitumen primarily for use in the quarry industry, and also undertakes general electrical contracting work. These activities are undertaken by 3 separate companies, Associated Metal Works Glasgow Limited, The Clannac Engineering Co. Limited and Edmiston Brown & Co. Limited, which for the year to 30th September 1978 earned a total profit before central costs, interest and tax of £130,000. These 3 companies produce a high return on capital employed but have limited growth prospects.

Prairie Herford Limited ('Prairie') is a distributor of Saddon Atkinson heavy commercial vehicles for Hereford and South Wales, with depots at Hereford and Swaneau. Having been a Perkins Engine distributor for several years, Prairie obtained in 1976 the franchise to operate a Perkins Power Centre covering the West Midlands and South Wales. Prairie's profit before central costs, interest and tax for the year to 30th September 1978 was £280,000. The profit performance of this company will inevitably reflect the fluctuations in demand in the road haulage and vehicle distribution sectors. It has nevertheless achieved an average a high return on capital employed over the last few years and we believe that it can continue to do so in the future.

A. Baird & Sons Limited is a distributor for Massey-Ferguson agricultural machinery and for Peugeot cars, and a retail dealer for Austin and Morris cars, operating from premises in Annan and Dumfries in South West Scotland. This company earned a profit before central costs, interest and tax of £91,000 for the year to 30th September 1978.

The engineering division achieved record profits in 1978. The first 2 months of the current financial year have inevitably been affected by Polaroid by the recent Ford strike, but we are hopeful that the division as a whole will make good any loss of turnover before the end of the year.

LADIES HOSIERY DIVISION

Years to 30th September	1974	1975	1976	1977	1978
Turnover (£000)	4,150	4,219	4,851	4,743	4,154
Profit/loss before central costs, interest and tax (£000)	179	(10)	54	*83	*300

*after crediting temporary employment subsidy as indicated below.

The hosiery division manufactures ladies tights, socks and stockings in both fine and heavy denier yarns. The division is based near Hinchley in Leicestershire, where it has 2 factories, covering a total of 92,000 sq. ft. These factories are managed through 2 companies, Barber & Nicholls Limited and Nicholls & Wilman Limited. The factories, both of which are leasehold, operate approximately 445 knitting machines together with appropriate making-up machines. Production, which varies depending on the type of garment being produced, is currently running at about 40,000 dozen hosiery per week, of which some 3,000 dozen is in heavy denier yarn. About 75% of fine denier production is ladies tights and the balance is socks and stockings.

The division is organised primarily to supply, under contract, major retail chains and department stores who sell under their own brand names. Approximately 70% of output is to this type of customer and the balance, most of which is sold under our brand names of 'Mary Poppins' and 'Elle', is sold to wholesalers and smaller retailers.

In 1975 this division made a loss and 2 years ago we undertook a major exercise to rationalise the activities of the division and to bring it back into profitability. The scale of production was cut and the range of products simplified; the number of customers was reduced and we ceased direct selling to small outlets; overheads were trimmed and the capital employed in the division was reduced materially. This exercise was a very costly one, but the impact of these costs was substantially reduced by the receipt of temporary employment subsidy, which amounted to £395,000 in the year to 30th September 1977 and £100,000 in the following year. Although this was a disruptive exercise we believe it has been a successful one. We now have a smaller operation, which we consider to be substantially more efficient and viable than 2 years ago. As shown above, the division achieved a profit before central costs, interest and tax of £300,000 for the year to 30th September 1978 compared with £54,000 for 1976 and £83,000 for 1977. Current trading is satisfactory, and we believe that the division is soundly based to achieve good profits in the future.

As part of the rationalisation of this division, in September 1977 we closed our yarn retwisting factory at Durham, which traded as John Wallace Textiles Limited and whose performance had been unsatisfactory for several years. The summary figures set out above include turnover of John Wallace Textiles Limited of £361,000 and £365,000 for 1976 and 1977 and losses for these 2 years of £34,000 and £67,000 respectively, after crediting temporary employment subsidy of £39,000 in 1977.

DIRECTORS

I have already explained that the Caledonian Holdings board provides the chairman and in some cases also the managing director of the subsidiary companies and it is through these positions that the Caledonian Holdings board controls the activities of the group.

I set out below the directors of Caledonian Holdings and their particular responsibilities within the group.

Ray Burns L.R.S.A. I am aged 44 and am chairman and managing director of the group. I am also chairman of all subsidiary companies in the group, other than 3 companies in the engineering division. I have been a director of Caledonian Holdings or its predecessor company for 13 years and I have been with companies within the group for a total of 15 years.

James Robson Conway is aged 40. His main responsibility is as managing director of Ideal Timber, an appointment which he has held since August 1974. He is also chairman of 2 companies in the engineering division. He has been a director of Caledonian Holdings or its predecessor company for 8 years and has been with companies within the group for a total of 14 years.

Herbert Maxfield is aged 62. He is managing director of Polaroid and is also chairman of one of the other companies in the engineering division. He has been a director of Caledonian Holdings or its predecessor company for 7 years and with Polaroid for a total of 31 years.

Brian Neiman is aged 58. He is managing director of all the companies within the jewellery division. He has over 40 years experience in the jewellery trade and has been with companies which are now within the group for the past 26 years. He is currently chairman of the British Jewellers Association. He has been a director of Caledonian Holdings or its predecessor company for 7 years.

Norman Macfarlane is aged 52. He was appointed a director in September 1978 and is non-executive. He is executive chairman of Macfarlane Group (Lancaster) Limited, a listed Scottish group, whose main activities are in packaging, particularly for the whisky and computer industries.

Geoffrey Newbery MA (1 con.) is aged 48. He was also appointed a director in September 1978 and is non-executive. He is a director of Baird Textiles Holdings Limited, the Cheshire based textile group. He has been a non-executive director of each of the companies in the ladies hosiery division of Caledonian Holdings for the past 6 years.

I have a service agreement with Caledonian Holdings and Herbert Maxfield has a service agreement with Polaroid. Details of these agreements are set out under 'General Information' below. None of the other directors of Caledonian Holdings has a service agreement with any group company. Each of the executive directors of Caledonian Holdings is a member of the Caledonian Holdings pension scheme.

The following is a letter to Noble Grossart from Mr W. Roy Burns, the chairman and managing director of Caledonian Holdings:

To the directors
Noble Grossart Limited
Edinburgh
19th January 1979

Dear Sirs,
I have pleasure in providing you with the following information in connection with your Offer for Sale of the whole of the issued ordinary share capital of Caledonian Holdings Limited ('Caledonian Holdings').

BACKGROUND

Caledonian Holdings, which is at present a wholly owned subsidiary of Stenhouse Holdings Limited ('Stenhouse Holdings'), is a holding company for diversified consumer products group whose business is in home improvement, jewellery, engineering and ladies' hosiery.

Stenhouse Holdings has recognised for some time that the continuing development and expansion of Caledonian Holdings could more easily be achieved if it were to become an independent listed company rather than remain as part of a financial group. This step was also seen as being helpful to Stenhouse Holdings which could then particularly concentrate its resources on insurance broking and related activities. It was also believed that this separation would permit a more accurate assessment of the respective performances and values of the insurance broking and consumer products interests of the group. Since early 1976 it has therefore been the stated intention of Stenhouse Holdings that at an appropriate time Caledonian Holdings would be separated from the Stenhouse Holdings group and would seek a Stock Exchange listing as an independent public company.

Accordingly, Stenhouse Holdings has today completed arrangements for an Offer for Sale by Noble Grossart Limited of all of the 10,000,000 issued ordinary shares of 25p each in Caledonian Holdings at a price of 65p per share. In order to assist the shareholders of Stenhouse Holdings to retain an interest in Caledonian Holdings, preferential consideration will be given to applications from such shareholders in respect of a maximum of 1,000,000 ordinary shares.

HISTORY OF CALEDONIAN HOLDINGS

Most of the present trading subsidiaries of Caledonian Holdings were formerly part of a listed company, John Wallace & Sons Limited ('Wallace') in which, between 1962 and 1969, Stenhouse Holdings acquired a 22.2% interest. In 1970 Stenhouse Holdings made a share offer and acquired the remaining 74.8% of Wallace, which was then renamed Stenhouse Industries Limited ('Stenhouse Industries').

In 1972 the largest subsidiary of Stenhouse Industries, British Electrical Repairs Limited ('BERL') was sold for £1 million. At that time BERL accounted for approximately 45% of both the profits and the capital employed within the Stenhouse Industries group. The sale of BERL was effected by firstly transferring all of the other subsidiaries of Stenhouse Industries to a newly formed subsidiary of Stenhouse Holdings, Stenhouse Continuation Limited, and by then selling Stenhouse Industries as a company which had only one subsidiary, BERL. Shortly thereafter Stenhouse Continuation Limited was renamed Stenhouse Industries Limited. In November 1978 it was renamed Caledonian Holdings Limited. No part of the proceeds of the sale of BERL was retained within the Caledonian Holdings group.

OPERATING STRUCTURE AND CONTROL

Caledonian Holdings' activities are divided into 4 operating divisions. These divisions and their contribution to the Caledonian Holdings group profit before central costs, interest and tax for the year to 30th September 1978 are set out below:

	1978 Profit	Contributions
Home improvement	1,060	4%
Jewellery	767	26.7
Engineering	880	30.7
Ladies' hosiery	923	33.2
	300	10.4
	2,870	100.0
Central costs	(142)	
	2,728	
Interest	(285)	
Profit before tax	2,443	

The management of Caledonian Holdings operates on the basis of tight financial control throughout the group. Within that control the directors of the individual subsidiaries are encouraged to develop their respective businesses on an independent basis so as to achieve the financial objectives set by the board of Caledonian Holdings.

Financial control—Each subsidiary of Caledonian Holdings prepares annual budgets for profits, capital expenditure and cash flow. Before approval, these budgets are reviewed by central management and are related to group financial targets. Each subsidiary produces detailed monthly accounts and is required to report to the holding company a monthly cash payment equal to each month's pretax profit adjusted to include depreciation and to exclude agreed capital expenditure for that month.

Management control—The chairman of each subsidiary is a director of Caledonian Holdings. In some cases the managing director of a subsidiary is also a director of Caledonian Holdings. All material decisions are discussed between the chairman and managing director of the relevant subsidiary either informally or at regular meetings. Responsibility for the day-to-day management of the activities of each subsidiary is delegated to the managing director or general manager of that subsidiary. The particular responsibilities of the 4 executive directors of Caledonian Holdings are referred to under 'Directors' below.

The Caledonian Holdings board meets at intervals of about 2 months to review trading results, capital expenditure and financial arrangements, and personnel matters. This form of management enables the Caledonian Holdings board to maintain a close control over the financial progress and development of all subsidiary companies within the group without the need for a large central management staff. I am based in Edinburgh and am in active contact with all of the companies within the group. The other executive directors of Caledonian Holdings are based at the companies for which they have particular responsibility.

I now comment on the activities of each of the divisions.

HOME IMPROVEMENT DIVISION

Years to 30th September	1974	1975	1976	1977	1978
Turnover (£000)	7,090	8,379	11,374	12,715	16,239
Profit before central costs, interest and tax (£000)	285	402	627	708	767

CALEDONIAN HOLDINGS LIMITED OFFER FOR SALE BY NOBLE GROSSART LIMITED.

EMPLOYEES

The Caledonian Holdings group has approximately 2,800 employees; 1,200 are in home improvement, 500 in jewellery, 700 in engineering and 400 in ladies' hosiery. We have good labour relations in all divisions and a virtually strike free record.

PROFIT RECORD AND CASH FLOW

During the five years to 30th September 1978 group pretax profit has increased from £1,662,000 to £2,443,000. In this period we have generated a substantial positive cash flow much of which has been paid as dividends to Stenhouse Holdings and also as payments in lieu of tax to Stenhouse Holdings and other group companies, as shown below.

Table showing Payments in years to 30th September 1974-1978, Dividends paid to Stenhouse Holdings, and Inter-group payments in lieu of tax.

The inter-group payment in lieu of tax made in the year to 30th September 1978 includes a payment of £1,170,000 made in respect of the year to that date. Since 30th September 1978 a dividend of £1,815,000 has been paid to Stenhouse Holdings in respect of the year to that date and a further dividend of £1,815,000 has also been paid. On 15th January 1979 Stenhouse Holdings subscribed £1,815,000 of additional capital to Caledonian Holdings.

We believe that our cash flow would have been different and more advantageous to Caledonian Holdings if it had been operating independently during this 5 year period. Dividends in the earlier years would most probably have been lower and the payments for tax would have been partially deferred by alternative utilisation of tax allowances which would not have required to recognise the tax position of the Stenhouse Holdings group. More cash would have been available for reinvestment by the Caledonian Holdings. As an independent company we expect to benefit from being able to retain a higher proportion of our cash flow and consequently to finance a higher level of reinvestment.

I have already referred to the group's record of generating positive cash flow. The directors of Caledonian Holdings consider that, after taking into account available bank and other borrowing facilities, the Caledonian Holdings group has sufficient working capital for its present requirements.

FUTURE PROSPECTS

We have had a good start to the current financial year. There has been particularly good progress in the activities of the home improvement division. While the directors of Caledonian Holdings consider that it is too early in the financial year to make a formal forecast of profits, we are nevertheless confident that, in the absence of unforeseen circumstances, we shall be able to report satisfactory results for the year as a whole.

PRO FORMA BALANCE SHEET

In the accountants' report shown below there is set out a pro forma balance sheet of the Caledonian Holdings group at 30th September 1978 reflecting changes in accounting policy and certain transactions which have occurred since that date in anticipation of Caledonian Holdings becoming an independent company. The effect of these changes and transactions, which are explained in detail in note 16 to the accountants' report, can be summarised as follows:

Table showing Pro forma balance sheet at 30th September 1978, including Fixed assets, Current liabilities, Net current assets, and Share capital and reserves.

DIVIDENDS

In the absence of unforeseen circumstances, the directors of Caledonian Holdings intend to recommend dividends totalling 4.75p per share (equivalent to 7.09p per share including the related tax credit at the current rate) in respect of the year to 30th September 1978. It is expected that dividends would be paid as an interim of 2.25p per share in September 1979 following the announcement of the interim results and a final of 2.50p per share in April 1980 following the annual general meeting.

Under current controls, which are due to expire on 31st July 1979, Caledonian Holdings would not be subject to any dividend restraint in respect of the 2 years ending 30th September 1980. The directors of Caledonian Holdings intend to recommend dividends for the year to 30th September 1980 which reflect the progress made by Caledonian Holdings group during that year.

By way of illustration, there is set out below the possible appropriation of profits for the year to 30th September 1979 on the assumptions that the forecast dividends are paid and that group profit before tax for that year is the same as was achieved for the year ended 30th September 1978. The rate of tax charge on profits will, inter alia, depend on the directors' view of the level of deferred tax provision which is required. It is not possible to predict with accuracy what the effective tax rate will be for the year to 30th September 1979 and the appropriation of profits is therefore shown on the assumption that this rate will be a notional 52%.

Table showing Profit before tax for the year to 30th September 1978, Corporation tax at a notional rate of 52%, and Forecast dividends of 4.75p per share.

On the above assumptions, the forecast dividends would be covered 2.47 times. The forecast dividends, including the related tax credit at the current rate, would represent a gross equivalent dividend yield of 9.1% at the Offer for Sale price. Based on the above illustration, Caledonian Holdings would be valued at the Offer for Sale price at a multiple of 5.54 times earnings per share.

THE LONGER TERM

My colleagues and I on the board of Caledonian Holdings believe that we have within our group the quality of management which can maintain a good return on capital employed. We look forward to a stimulating and successful future as an independent group.

Yours faithfully, W. Roy Burns, Chairman and managing director

ACCOUNTANTS' REPORT

The following is a copy of a report which has been received from Thomson, McLintock & Co., the accountants of Caledonian Holdings and the reporting accountants.

To the Directors Caledonian Holdings Limited, Noble Grossart Limited, 19th January 1979

We report on audited accounts 1978 to 1978. We report on the balance sheet of Caledonian Holdings Limited, formerly Stenhouse Industries Limited, ('Caledonian Holdings') at 30th September 1978, the consolidated balance sheet of Caledonian Holdings and its subsidiary companies (the Caledonian Holdings group) at 30th September 1978, and the related statements of consolidated profit and consolidated statement of application of funds for the year ended 30th September 1978. This financial information has been prepared under the historical cost convention modified by the provisions of certain laws.

We have been advised by Caledonian Holdings since its incorporation in March 1972 and of the companies which are now its subsidiary companies with the exception of one subsidiary company which is owned by other firms or companies and which together accounted for 7% of group turnover for the year ended 30th September 1978. This financial information has been prepared under the historical cost convention modified by the provisions of certain laws and based on the audited accounts after making such adjustments as we consider necessary. The principal adjustment has been to the book of valuing stocks in order to comply with Statement of Standard Accounting Practice Number 9 which became effective in the year to 30th September 1977.

In our opinion the financial information given, under the historical cost convention, on a consistent basis, a true and fair view of the state of affairs of Caledonian Holdings at 30th September 1978, of the state of affairs of the Caledonian Holdings group at 30th September 1978 and of the profit and surplus and application of funds of the Caledonian Holdings group for each of the five years to 30th September 1978.

There are no non-current assets of Caledonian Holdings Limited, the Caledonian Holdings group or any of its subsidiaries at 30th September 1978.

(b) Report on pro forma balance sheet of the Caledonian Holdings group at 30th September 1978. This pro forma balance sheet reflects changes in accounting policy and certain transactions which have occurred since that date in anticipation of Caledonian Holdings becoming an independent company. It is not possible to predict with accuracy what the effective tax rate will be for the year to 30th September 1979 and the appropriation of profits is therefore shown on the assumption that this rate will be a notional 52%.

(c) Depreciation of fixed assets. No depreciation has been provided on heritable or freehold land and buildings. Leasehold properties are depreciated in equal instalments over the term of the lease or over the period of the lease or the shorter of the two periods. Depreciation on plant and equipment is provided on a straight line basis over the estimated useful life of the asset. The replacement of this plant and equipment is not provided for in the group accounts.

(d) Deferred tax. Provision has been made at the rate of 52% throughout the period for the deferred liability in respect of writing down from book value of plant and equipment to the disposal value. Provision has also been made for the potential liability to corporation tax which would arise on the disposal of that book value, as shown in the Statement of Standard Accounting Practice Number 15, in respect of the year to 30th September 1978. This financial information has been prepared under the historical cost convention modified by the provisions of certain laws. The directors have reviewed the provisions for deferred tax in the light of Statement of Standard Accounting Practice Number 15 as from 1st October 1978.

(e) Turnover. Turnover represents the value of all sales invoiced to customers during the year less returns and trade discounts and excludes inter company transactions and value added tax.

(f) Operating and closing stocks. Operating and closing stocks are valued at the lower of cost and net realisable value. The cost of manufactured goods and work in progress, cost comprises direct material, labour and production overheads.

(g) Group turnover and profits. The following table shows the turnover and profit of the Caledonian Holdings group for the five years to 30th September 1978.

Table showing Group turnover and profits for the five years to 30th September 1978.

Turnover—by division: Home improvement, Jewellery, Engineering, Ladies hosiery.

Profit after tax: Home improvement, Jewellery, Engineering, Ladies hosiery.

Profit before tax: Home improvement, Jewellery, Engineering, Ladies hosiery.

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Balance sheets 1973 to 1977

Table showing Balance sheets for the years 1973 to 1977, including Fixed assets, Current liabilities, Net current assets, and Share capital and reserves.

Balance sheets at 30th September 1978 and pro forma balance sheet at that date

Table comparing Balance sheets at 30th September 1978 and pro forma balance sheet at that date, including Fixed assets, Current liabilities, Net current assets, and Share capital and reserves.

The above pro forma balance sheet has been prepared by applying certain assumptions (set out in note 16 to the accountants' report) to the balance sheet of Caledonian Holdings at 30th September 1978. We have reported separately above on the pro forma balance sheet.

Group sources and application of funds

Table showing Group sources and application of funds for the years 1974 to 1978, including Sources of funds, Application of funds, and Investment in subsidiary companies.

The above statements do not reflect the transfer of properties to a wholly owned subsidiary in the Stenhouse Holdings group in 1974 or the acquisition of a subsidiary by Caledonian Holdings on 6th January 1979 (see note 7).

(a) Trading profit. The following have been charged (credited in some cases) to the trading profit for the year:

Table showing Trading profit components for the years 1974 to 1978.

(b) Depreciation on fixed assets. Depreciation on fixed assets is based on historical cost less any provision for depreciation not incorporated in the group accounts (see note 13).

(c) Hire of plant and machinery. Hire of plant and machinery is based on the hire of plant and machinery provided for in the group accounts.

(d) Provision for doubtful debts. Provision for doubtful debts is based on the provision for doubtful debts provided for in the group accounts.

(e) Provision for doubtful debts. Provision for doubtful debts is based on the provision for doubtful debts provided for in the group accounts.

(f) Provision for doubtful debts. Provision for doubtful debts is based on the provision for doubtful debts provided for in the group accounts.

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(y) Provision for doubtful debts. Provision for doubtful debts is based on the provision for doubtful debts provided for in the group accounts.

(z) Provision for doubtful debts. Provision for doubtful debts is based on the provision for doubtful debts provided for in the group accounts.

(aa) Provision for doubtful debts. Provision for doubtful debts is based on the provision for doubtful debts provided for in the group accounts.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS
Date Title Venue
Jan. 22-23 British Toy and Hobby Fair (01-707 7127) Olympia
Jan. 25-26 Lightshow 77 (0248 32856) Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Jan. 20-28 International Boat Show—BOOT (01-409 0956) Dusseldorf
Jan. 22-27 International Audiovisual & Communications Show Internat. Sweets and Biscuits Fair (01-409 0956) Cologne

BUSINESS AND MANAGEMENT CONFERENCES

Current Textile Institute: Annual Conference: Cotton in a Competitive World (061-524 8487) (until Jan. 23)
Jan. 22-23 Institute of Offshore Engineering: Risk Analysis of Offshore Installations (031-449 5111)
Jan. 22-23 ESC: 1978 Finance Directors Conference (057 282 873)

Parliament this week

TODAY: Commons. Weights and Measures Bill, second reading.
Select Committees. Public Accounts. Housing associations. Witness: Department of Environment. 4.45 pm. Room 16.

TOMORROW: Commons. Resumed second reading debate on Industry Bill. Social Security Bill, remaining stages.
Lords. Consolidation Bills committee. Debate on future of coal industry.

WEDNESDAY: Commons. Public Lending Right Bill, remaining stages.
Lords. Representation of People (Armed Forces) Bill, third reading. Debates on social and industrial policy-making and proposed transfer of flights from Heathrow to Gatwick.

THURSDAY: Commons. Debate on Opposition motion on doubling of prices in under five years. Motion on EEC documents on the steel industry.
Lords. Marriage (Enabling) Bill, second reading. Debates on industrial situation and London airports.

FRIDAY: Commons. Private members' Bills.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly not always available whether dividends concerned are interims or year's turntable.

THURSDAY JANUARY 25
COMPANY MEETINGS: Associated Enters. Savoy Hotel, Strand, W.
12.00. Chairman: Granovier House, Park Lane, W. 1.
12.00. Chairman: The Brewery, Horse St. W. 1.
12.00. Chairman: The Brewery, Horse St. W. 1.

CONTRACTS

Pye TMC sells £4m X-Press callmakers
Pye TMC, the Philips subsidiary, has received orders worth £4m from the Post Office for 22,500 automatic dialling telephones and 70,000 pre-button instruments.

Public Works Loan Board rates
Effective from January 20
Quote loans repaid Non-quote loans A* repaid

Table with columns: Years, Repaid by EPT, At maturity, Repaid by EPT, At maturity. Rows: Up to 5, Over 5, up to 10, Over 10, up to 15, Over 15, up to 25, Over 25.

THURSDAY JANUARY 25
COMPANY MEETINGS: Associated Enters. Savoy Hotel, Strand, W.
12.00. Chairman: Granovier House, Park Lane, W. 1.
12.00. Chairman: The Brewery, Horse St. W. 1.

LOCAL AUTHORITY BONDS

Every Saturday the Financial Times publishes a table giving details of Local Authority Bonds on offer to the public.
For advertising details please ring Stephen Cooper 01-248 8000 Extn. 7008

CALEDONIAN HOLDINGS LIMITED OFFER FOR SALE BY NOBLE GROSSART LIMITED.

Articles of association
The articles of association of Caledonian Holdings contain provisions (set out in the following effect) relating to the offer for sale of the shares of Caledonian Holdings Limited.

Professional consideration will be given in respect of a maximum of 1,000,000 ordinary shares to applications made by shareholders of Caledonian Holdings on the register as at 12th January 1979 and the preferred application form set out in the offer for sale.

Copies of this Offer for Sale can be obtained from: Noble Grossart Limited, 48 Queen Street, Edinburgh EH2 2NR.

Bank of Scotland
New Issue Department, 26A York Place, Edinburgh EH1 3EY (031-556 9351)
New Issue Department, PO Box 267 30 Bishopsgate, London EC2P 2EH (01-588 7651)

Table showing number of shares and amount payable for different share denominations.

APPLICATION FORM

THE APPLICATION LIST WILL OPEN AT 10 A.M. ON THURSDAY 26th JANUARY 1979 AND WILL CLOSE AT SUCH LATER TIME ON THE SAME DAY AS NOBLE GROSSART LIMITED MAY DECIDE.

Caledonian Holdings Limited Offer for Sale by Noble Grossart Limited

Application form with fields for Name, Address, Number of shares, Amount of cheque received, and signature.

PROCEDURE FOR APPLICATION
Applications (which must be for a minimum of 200 shares and in multiples of 100 shares up to 2,000 shares, in multiples of 100 shares between 2,000 and 4,000 shares, in multiples of 1,000 shares between 4,000 and 8,000 shares, in multiples of 1,000 shares between 8,000 and 20,000 shares and thereafter in multiples of 2,000 shares) must be made on the application form provided and forwarded to Bank of Scotland at either (a) New Issue Department, 26A York Place, Edinburgh EH1 3EY or (b) New Issue Department, PO Box 267, 30 Bishopsgate, London EC2P 2EH as to which see above.



Cost of Sullom Voe 'could top £1bn'

BY KEVIN DONE, ENERGY CORRESPONDENT

THE COST of building the Sullom Voe oil terminal in the Shetland Islands will rise to more than £1bn if additions to the project planned by British Petroleum, the terminal manager, are approved.

Capacity

The terminal is presently designed to have a capacity for processing and loading 1.4m barrels of crude oil a day by end of 1981, equivalent to more than two-thirds of UK's total crude oil consumption.

workers at the isolated site are demanding a work cycle of three weeks on and one week off instead of the present four weeks on and one week off.

Pollution

The Shetland Islands Council has agreed to the use of a Swedish vessel, the Slena Ballica, which will have beds for about 350 men.

The construction work already agreed, estimated to cost £813m, should be completed by the end of 1981, Mr. Mike Pattinson, manager of the project said at the weekend.

Pollution

The Shetland Islands Council has agreed to the use of a Swedish vessel, the Slena Ballica, which will have beds for about 350 men.

Most pay deals now over 5% says CBI study

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

MOST EMPLOYEES who are now signing pay deals are getting more than the Government's basic 5 per cent pay limit according to figures released this morning by the Confederation of British Industry.

Statistics collected by the CBI's pay data bank show that most of the 1.6m people now covered by 537 pay deals have exceeded the basic limit either by using pay White Paper's exceptions for low-paid workers and productivity deals or by ignoring the White Paper's rules.

company level and public sector negotiations which the CBI explains in more detail for the first time.

About 55 per cent of these workers have accepted 5 per cent or less as a basic settlement, but nearly half of them have also negotiated productivity deals which the CBI says add an average of 5 per cent extra.

Big response likely to action day call

BY CHRISTIAN TYLER, LABOUR EDITOR

PUBLIC SERVICES will be disrupted, schools closed and some hospital and ambulance work stopped today in many parts of the country.

Unions representing nearly 1.5m low-paid manual workers expect a big response to their call for a day of action.

some employers had admitted that they had to put more cash on the table before the promised public-service pay inquiry could start.

The extent of the militancy will become clear this week, and may determine how far the Government yields to the private approaches to be made in the next few days.

Comecon barter deals 'could threaten jobs in the West'

BY SUE CAMERON, CHEMICALS CORRESPONDENT

BARTER DEALS with Eastern Europe by multinational companies might put at risk the jobs of thousands of workers in the West, including the UK, according to a study by the General and Municipal Workers' Union.

key sectors of industry in the West but put at risk the jobs of thousands of workers.

The East still needed much of its new production capacity to satisfy internal demand. Among main obstacles to pursuing anti-dumping complaints against Eastern Europe was "lack of information from State-run Comecon utilities on their costs."

Third bid for wheat agreement

BY JOHN EDWARDS, COMMODITIES EDITOR

A THIRD ATTEMPT to negotiate a new international wheat agreement aimed at controlling world prices begins in Geneva today.

Two full-scale negotiating conferences and many other meetings last year failed to resolve differences between exporting and importing countries on price ranges, size of reserve stocks and who would foot the bill for carrying surpluses.

But a compromise deal worked out between two key protagonists, the U.S. and the EEC, has raised hopes for a successful outcome, though it is by no means a foregone conclusion.

Weather

UK TODAY CLOUDY, some sleet and snow. London, S.E., Cant. S., Channel S.W. Cloudy, sleet and snow. Max. 3C (37F).

Edinburgh, Dundee Freezing fog. Mainly dry. Max. 3C (37F).

Table with columns for location, day, and weather conditions.

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Kuwait moves to free extra oil

BY LESLIE MITCHELL IN KUWAIT

KUWAIT, which for months has refused to sell any extra crude oil to compensate for the shortages caused by the crisis in Iran, is considering signing special, short-term contracts with three of the Iran Consortium members for 40,000 barrels a day each of Kuwait 31 API crude oil.

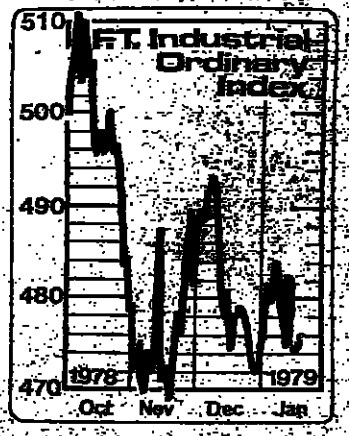
lift a maximum of 405,000 bbl of Kuwait crude. Gulf has a 7 per cent share and a contract to lift a maximum of 575,000 bbl.

man of BP, and Mr. Paul Skinner, head of government acquisitions for Shell International Trading Company, fuelled speculation that a new deal might be raised in the Supreme Petroleum Council.

A fine balance in equities

THE LEX COLUMN

Can nothing shake this equity market? For the past three months the FT 30-Share Index has not strayed by more than 3 per cent either side of 480.



It is never very hard to find arguments why the market should rise or why it should fall. The real puzzle at present is why such a delicate balance has been established.

ment monetary policy. There is talk of another report to a desperate wage and price freeze, which would not be a desirable new clamp on dividends.

interest rates. Expected dividend growth has recently been stalling. The gap between yields on equities and gilts.

Banks in 1984 While the banks will be seen to have done well in 1978 when they invest their results next month, the question arises whether the banks are going to perform any better over the next five years than over the last five.

If you judge a bank by results, take a look at Sanwa Bank.

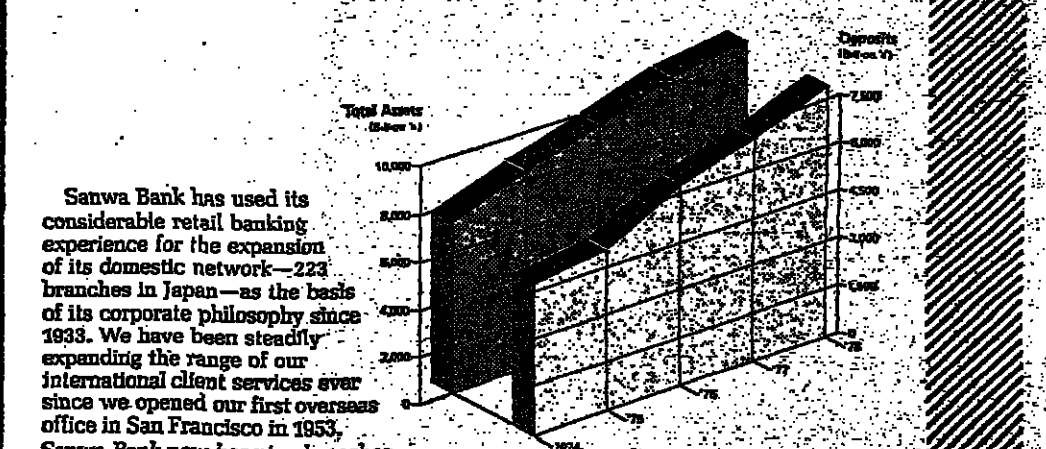


Table with columns for financial highlights and values.

SANWA BANK logo and contact information for various branches.